2008 Annual Report and 2009–2011 Service Plan

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Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a Board of Directors appointed by the provincial government. It serves 2.3 million workers and more than 200,000 employers throughout B.C., and is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our mandate

To work with workers and employers to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and assist with timely return to work
- Provide fair compensation to replace lost wages for injured workers during their recovery
- Ensure sound financial management for a viable workers' compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our commitment

To make a difference, one human being at a time.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship, now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe that:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be that worker's rehabilitation and return to work.
- We must be driven by a service orientation that is attained through the effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

To fulfill its mandate, WorkSafeBC is enabled by:

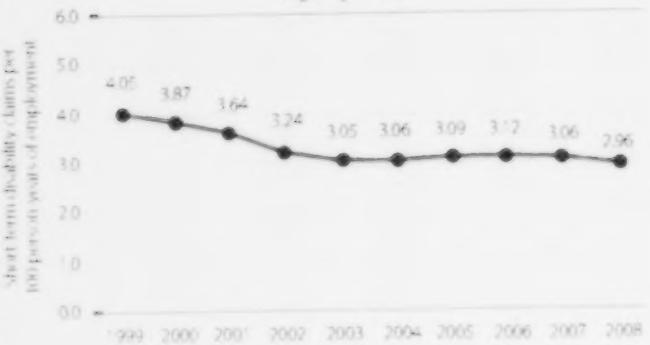
- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered.
- A full range of programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders.
- Professional, compassionate, and highly trained people working together to deliver quality service.
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy.
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system.

Our goals

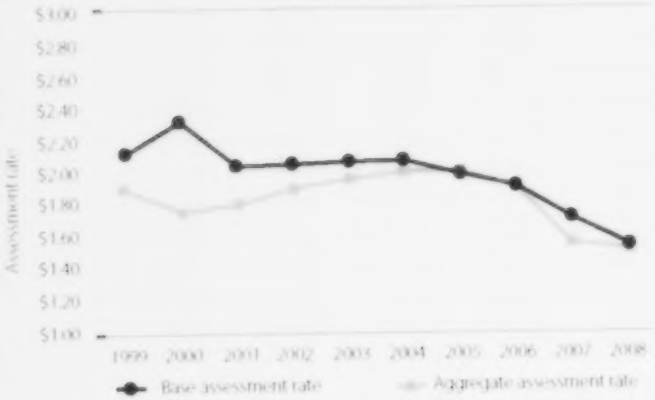
1. Foster the improvement of occupational health and safety in B.C. workplaces
2. Improve service to stakeholders
   a) Improve satisfaction, accessibility, and public confidence in the organization
   b) Improve adjudicative decision making throughout each division, ensuring consistency with the legislation and policy
3. Improve cost-effectiveness and accountability of the services we deliver
4. Maintain financial sustainability and stability

Operational Highlights

Injury rate

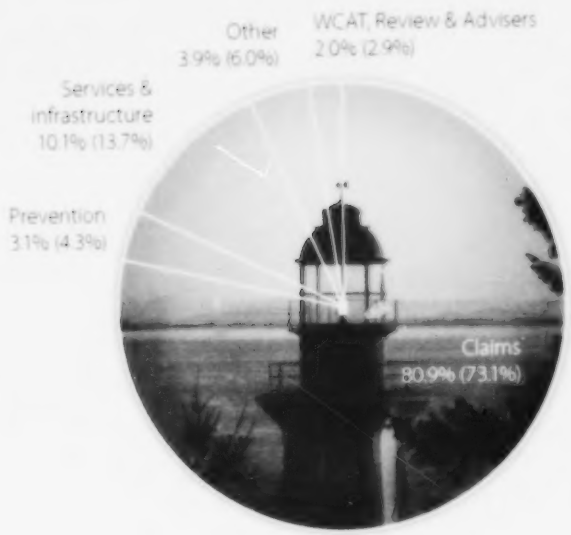


Assessment rate



Note: For 2008, the rates are the lowest they have been in the last 30 years.

Allocation of 2008 expenses (2007)



Key financial comparatives ($ millions)	2008 actual (fair value)	2007[a] actual (fair value)	2008 actual (smoothed)	2007[a] actual (smoothed)
Premium income	1,141	1,082	1,141	1,082
Investment income	245	1,136	591	1,015
Claim costs[b]	1,364	1,117	1,364	1,117
Operating costs — net[c]	167	160	167	160
Surplus (deficit) before non-recurring expenses	(145)	941	201	820
Non-recurring expenses[d]	487	37	487	37
Surplus (deficit) from operations	(632)	904	(286)	783
Unrealized investment gains (losses)	(1,463)	(621)		
Total comprehensive income (loss)	(2,095)	283	(286)	783
Total assets	11,082	12,568	11,622	11,299
Total liabilities	9,594	8,985	9,594	8,985
Unappropriated balance	1,012	1,622	619	884
Reserves	1,409	1,430	1,409	1,430
Accumulated other comprehensive income (loss)	(933)	531		
Market rate of return on investment	(8.2%)	4.4%		
Accounting rate of return on investment			5.9%	10.2%

a Certain 2007 figures have been restated (see consolidated financial statements, Note 3, on page 73)

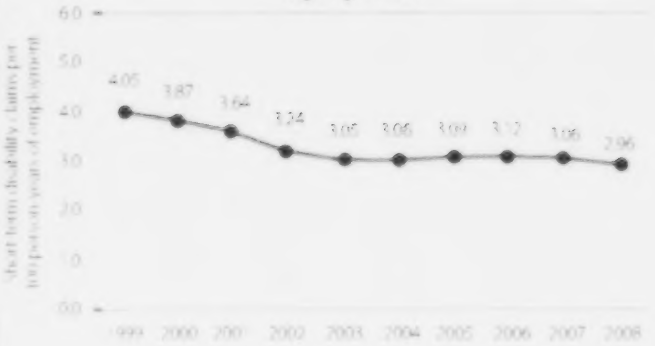
b Excludes non-recurring claim costs

c Net of claim administration payments: 2008 — $218 million; 2007 — $193 million

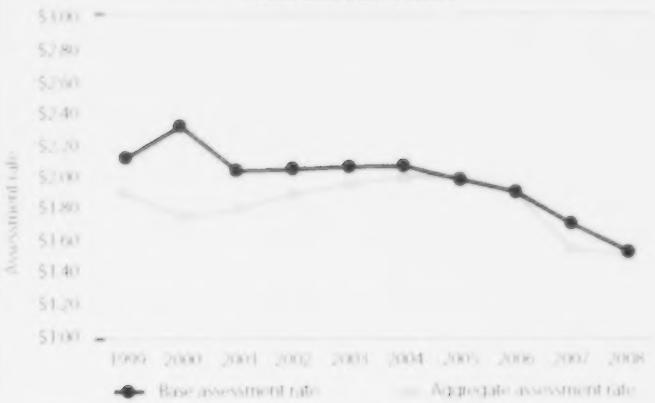
d Non-recurring expenses in 2008 relate to the change in net discount rate used to calculate benefit liabilities from 3.5 percent to 3.0 percent. Non-recurring expenses in 2007 relate to an adjustment of claim costs stemming from the 2006 Supreme Court decision on benefit eligibility, and a revision of mortality rate assumptions (see further details on page 82).

Operational Highlights

Injury rate



Assessment rate



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Market rate of return on investment	(8.2%)	4.4%		
Accounting rate of return on investment			5.5%	10.3%

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Q&A with the Chair and President

In Conversation with the Chair

Dr. Roslyn Kunin, Chair of WorkSafeBC's Board of Directors, discusses the challenges and opportunities of 2008, as well as the vision for the workers' compensation system in 2009 and beyond.

How did the turmoil in last year's economic markets affect WorkSafeBC?

The current economic crisis has reverberated throughout the world and is affecting organizations large and small, including WorkSafeBC.

Under the *Workers Compensation Act*, our Board has explicit responsibilities to establish policies and accounting systems to ensure adequate funding of the Accident Fund and to approve WorkSafeBC's investment of funds.

In 2008, we saw a dramatic decrease in our funded position (excess of assets over liabilities), which declined from $3.6 billion to $1.5 billion. However, the previous years' surplus and accumulated reserves did precisely what they were intended to do: protect the Accident Fund during tough economic times.

Our long-term capital adequacy policy is to build reserves comparable to those required by private insurers in Canada. This policy, along with the Board of Directors' investment policies and strategies (see Financial Context, page 12), has contributed to our strong financial position. In 2008, the Board of Directors made a decision to reduce the discount rate — used to value future liabilities — from 3.5 percent to 3.0 percent, thereby adopting an even more conservative approach to our finances. Despite the current economic crisis, the Accident Fund remains strong and allows us to protect worker benefits and maintain relatively constant employer premiums.

If investment returns continue to be significantly negative in 2009 and/or in future years, there would be, of course, potentially negative consequences for premium rates. However, the

Board's prudent investment strategy, capital adequacy policies, and smoothed accounting approach for rate setting are intended to mitigate such effects.

What emerging issues could impact occupational health and safety in British Columbia?

The most troubling issues are always the ones you're not yet aware of: for example, new occupational diseases caused by substances we didn't know were harmful. Take, for example, asbestos exposure. Today, workers are being treated for asbestos-related diseases as a result of exposure that occurred 20 to 30 years ago. At that time, no one could have predicted the devastation we're seeing today. Last year alone, nearly half of the reported work-related fatalities were related to occupational diseases, such as asbestos-related cancers.

In addition, our workforce is aging. What's more, with the slowing economy, some workers may be forced to work longer. Because older workers generally require a longer recovery period when they are injured, this puts a strain on not only the labour pool, but the workers' compensation system as well. As a result, the overall cost and duration of claims could increase.

The changing nature of the workplace — workers on contract or who are self-employed, workers holding multiple jobs or who work at home, for example — poses unique challenges to the traditional employer/employee relationship. Meeting the needs of workers who are new to our province or country is also an issue, and one of our priorities. Despite a challenging economic situation, B.C. needs both permanent immigrants and temporary workers to fill important roles in our labour force. Protecting these vulnerable workers from occupational disease and work-related physical injury is a growing issue. We must approach it with a keen sensitivity toward language and cultural differences and an awareness of the reticence of many workers — new to both a country and a job — when it comes to asking questions about their health and safety on the job.

What are the priorities for the Board of Directors?

The health and safety of all workers in B.C. remains our number one priority.

In addition, in the short term, our goal is to ensure the continued financial sustainability of the system as the economy remains in a state of flux. In the longer term, we will continue to work toward shifting cultural attitudes in B.C. so that occupational disease, injuries, and fatalities are never tolerated, and no longer seen as an inevitable consequence of doing business.

The composition of the Board of Directors changed at the end of 2008. Will this affect its direction in 2009?

No. While the Board's composition has undergone change, as three members reached the end of their terms, we remain fully committed to our vision of keeping workers and workplaces safe and secure from injury, illness, and disease, and to our commitment to make a difference, one human being at a time.

To advance our mandate and vision, the provincial government appoints directors to serve on our Board. In early 2009, we welcomed three new directors — one who represents employers, one who represents workers, and one who represents the public interest. Their duty is to act in the best interest of the workers' compensation system as a whole. But these individuals earned appointments because they have a lot to contribute to our province, and they bring unique perspectives, talents, expertise, and insights to the table.

As a director, it's an honour to have the opportunity to serve and to represent such a noble cause — protecting the health and safety of workers in British Columbia — and having new representatives will likely influence our debate, and perhaps even bring perspectives and insights that will result in new approaches to the challenges of workplace safety, compensation, and return to work. Changing the representation at the Board table helps ensure that our conversation remains current, relevant, and meaningful to the people we represent.

What lies ahead for 2009?

First and foremost, we will continue to concentrate on reducing injuries and disease in all sectors. This goal, of course, requires the involvement of all of our stakeholders: employers, workers, and government representatives. While we're seeing reductions in the injury rate, it's essential that we see beyond this indicator to the actions that will prevent injuries to workers in the real world.

Also, we cannot expect that current market volatility will necessarily diminish in 2009. We need to continue to ensure that decisions we make regarding WorkSafeBC's policies and finances are not based solely on the market value of our Accident Fund at a point in time, but take into account long-term trends and expectations. Our funding approach must be sustainable today to avoid burdening generations to come.

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David Anderson, President and Chief Executive Officer, WorkSafeBC

In Conversation with the President

David Anderson discusses WorkSafeBC's performance in 2008 and its impact on workplace health and safety in British Columbia.

How did worldwide economic markets affect your operations in 2008?

The downturn in financial markets — hitting the global economy with a speed and magnitude almost unheard of in more than 100 years — struck WorkSafeBC in much the same way it did other organizations involved in the investment of long-term pension funds.

Our investment return was negative 8.2 percent for the year, while, in financial statement terms, investment losses (the net of investment income and unrealized losses) amounted to $1.2 billion for the year. This follows five consecutive years of positive, often double-digit earnings. The 8.2 percent negative return, as measured by total market returns, differs from the percentage return that would be calculated using the financial statements. In recent years, we have directed a portion of the surpluses generated by those strong investment returns to reserves, to save for a rainy day, so to speak. Well, it poured in 2008. However, because we invest very prudently (see Financial Context, page 12), and intentionally went into this period with a surplus, we were largely able to weather that storm, ending the year with a surplus of assets over liabilities of about $1.5 billion.

Given the turbulence of the marketplace, what were your achievements in 2008?

In spite of the economic challenges, our rates continue to be among the lowest in Canada, and the average employer premium rate is the lowest it's been in 30 years. We were able to shelter employers by providing rate stability, while continuing to meet our benefit commitments to workers.

Our decision to strengthen the system by making a change in the discount rate increased our liabilities by almost half a billion dollars, but significantly reduced our dependence on high investment returns in future years. This conservative approach is akin to a person who pays a penalty to renegotiate a mortgage, in order to enjoy the subsequent benefits of lower interest costs. In our case, with a decreased discount rate, the WorkSafeBC Accident Fund's required rate of return will be lower in the future.

In addition, our prevention programs are thriving. In 2008, our safety inspections were up by 11 percent from the previous year; and, since 2004, we more than doubled the number of inspections. We also made great strides in conveying our safety message to new markets, which we believe will assist in further reducing the injury rate in future years. Our web site now offers general health and safety, claim, and assessment information in eight of B.C.'s most commonly used languages; and Teleclaim, the service centre that workers call to report injuries, now offers interpretation services in more than 170 languages.

Are we making progress on the injury rate?

This was a watershed year for us. In 2008, we saw the lowest injury rate on record for our province, in spite of an active economy in most areas of the province. That's a major accomplishment for B.C.'s employers, workers, unions, and employers' associations.

Preventing injuries, disease, and death is our highest priority; and, while we made great strides in this area in 2008, prevention will still be our most important focus going forward. But it's not all good news.

There were 160 fatalities last year — that's 160 too many, and 21 more than in 2007. The number of occupational disease fatalities continued to be high, mirroring a trend we saw in 2007. In 2008, 76 of the fatalities were from occupational disease; of the remaining 84 fatalities, 21 were the result of motor-vehicle incidents, and 18 were due to aircraft accidents. This increase in fatalities related to occupational disease is of great concern to our organization and our Board of Directors. For the most part, the death of these workers — boilermakers, construction workers, maintenance workers, roofers — is related to their exposure to asbestos 20 to 50 years ago. In the past year, we've been reaching out to workers and homeowners to caution them against the dangers of asbestos removal. In 2009, we will continue to build that awareness through an interactive web site, at home shows in various B.C. communities, and through other means as well.

Each year, three in every hundred workers suffer a work-related injury that requires time away from work. But there are times when an injury is life-changing and calls for extensive treatment and a longer period away from the job. WorkSafeBC is developing a measure so that we can better track these serious injuries as part of the province's overall injury toll.

What is the serious injury rate?

The serious injury rate is a new tracking measure we introduced in 2008 to better understand serious injuries and monitor our progress in eliminating them. A workplace injury is always serious — for the worker who has been hurt, as well for the worker's family and employer. But there are situations in which a worker needs to be away from work for more than 28 days, requires extensive hospitalization or treatment, or has suffered a head injury, fracture, or amputation. These life-altering incidents — along with fatalities — are reflected in WorkSafeBC's serious injury rate and reported annually (see page 29).

Is WorkSafeBC making a difference?

We are making a difference — for the 35,000 injured workers receiving pensions, 14,000 workers receiving short-term disability compensation, and 1,200 workers in vocational rehabilitation that we pay each month.

We strive to meet the needs of more than 208,000 individuals each year. The dedication of all our staff is making that difference in those people's lives. That's where our impact is most quantifiable. Far less tangible, but perhaps of even more importance, is the difference we make in the safety and health of workers across this province. With employers, unions, safety associations, and professional organizations, we are striving to prevent work-related injuries and disease.

While we're making strides in reducing injuries, our goal of "working to make a difference" is a journey, and we haven't yet arrived at our destination. When the economy declines, as it did in 2008 and is expected to continue to do in 2009, and organizations cut back to meet shrinking budgets, we all need to be extra vigilant at keeping health and safety top of mind in B.C.'s workplaces, in executive offices, on job sites, and on shop floors. The cost of not doing enough is too high, and ultimately is paid in pain, suffering, and even lost lives.

Besides the injury rate, we're making a difference by reaching out to people who have, in the past, been difficult to reach: foreign workers and young workers, for example. Also, by being far-sighted in our decision making, we've so far been able to weather the financial crisis: the Accident Fund continues to be robust, and B.C.'s employers continue to pay low premiums.

Our public contribution rating, which measures the public's opinion of our organization, has been increasing steadily since 1996, when our rating was 51 percent positive, and in 2008, it reached an all-time high of 85 percent positive, exceeding our target for the year.

These results are telling, and lead us to believe that we are making a difference. But we can't and won't rest. The only acceptable injury rate is zero. Until that's achieved, we will continue working toward creating a society where every single worker in B.C. makes it home unharmed at the end of the day. Each one percent reduction in the injury rate means that approximately 600 fewer workers are injured.

This goal of zero injuries will require the efforts of all workplace participants in 2009.

In 2008, we commemorated the 50th anniversary of the collapse of the Ironworkers Memorial Bridge (formerly called the Second Narrows Bridge), where 19 workers died — one of the largest industrial incidents involving fatalities in the history of our province. We remember those people, as well as all the other British Columbians who have lost their lives while working, and acknowledge that safety needs to be job one on every worksite, every day.

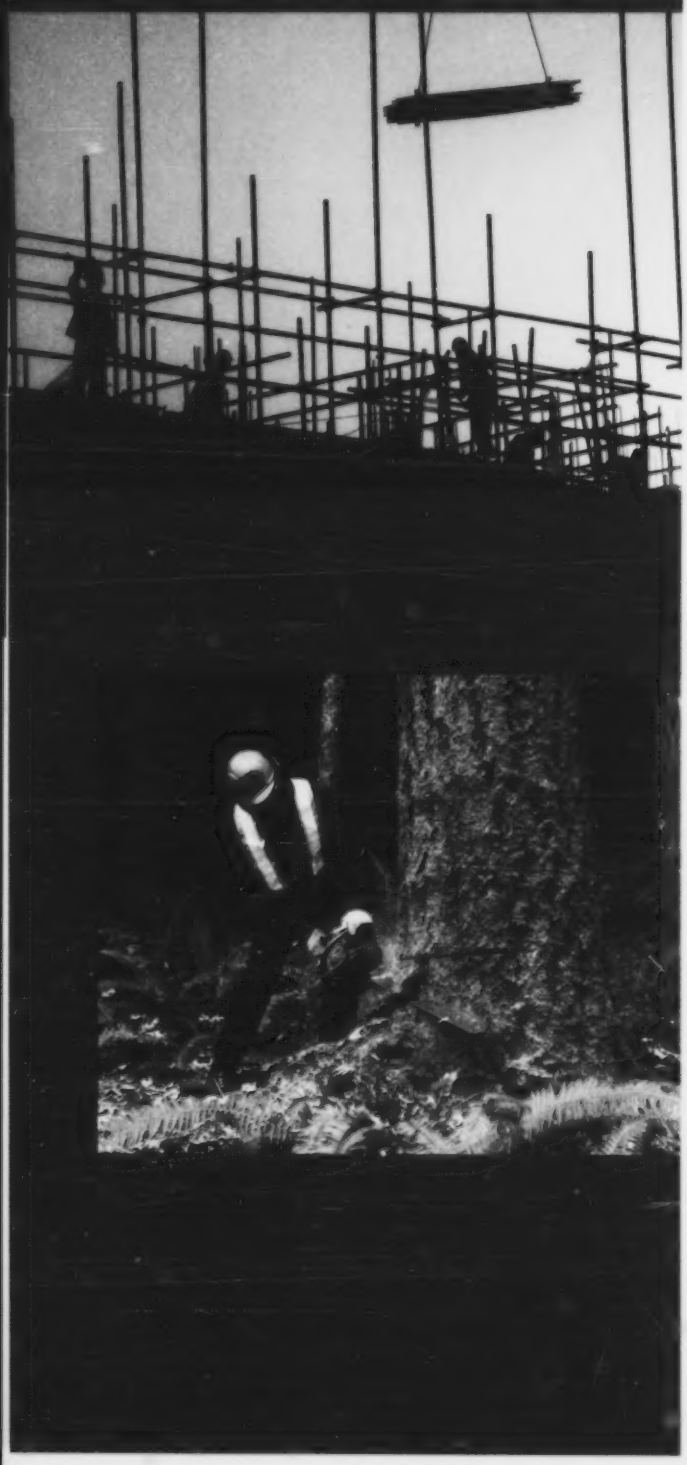
What else lies ahead for 2009?

We will be launching the Claims Management Solutions (CMS) initiative — by far the largest technological change in the history of our organization.

This system is designed to streamline the management of claims processing, so we can provide better service to injured workers and their employers, and gain operational efficiencies in the long term. It involves replacing five major claims-related systems and enhancing and replacing dozens of other smaller ones. With a change of this magnitude, we expect some challenges along the way, and we're working to ensure a smooth transition for our customers and employees as we continue to strive toward our long-range goals.

At the same time, as we write our annual report in early March of 2009, worldwide equity markets continue to remain volatile. While we don't yet know what the rest of 2009 will bring, we remain confident that the use of prudent investment strategies and a conservative approach to capital adequacy targeting will again allow us to weather another potentially stormy year in 2009.

About WorkSafeBC



WorkSafeBC (the Workers' Compensation Board of British Columbia) is a provincial statutory agency dedicated to the reduction — and eventual elimination — of work-related injury, illness, disease, and death in B.C. workplaces, and to easing the physical, financial, and psychological burdens on workers and their families when these do occur.

WorkSafeBC has legislated responsibility for establishing and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, and disabled workers, or providing benefits to their dependants; and, assessing and collecting employer premiums to support and administer the workers' compensation system. To meet these responsibilities, WorkSafeBC focuses on the following areas of business.

Preventing workplace injury and illness

WorkSafeBC's vision is simple: workers and workplaces safe and secure from injury, illness, and disease. In support of this vision, WorkSafeBC establishes standards and guidelines for occupational health and safety practices, educates and consults with workplace stakeholders, raises public awareness, and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. In addition, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits for dependants of workers who die as a result of workplace injury or occupational disease. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to sound financial management and has numerous programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention. During the review process, WorkSafeBC may overturn its initial decision if it's found to be incorrect or if new evidence comes to light.

Protecting workers and employers since 1917

In some jurisdictions, workers can sue their employers for damages if they suffer work-related injuries. That's not the case in British Columbia — thanks to what's known as the historic compromise, under which workers relinquished their right to sue their employers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system.

The historic compromise remains the basis of workers' compensation in B.C. today.

The historic compromise

Each class surrenders to the State certain rights...The employer in submitting to the levy...upon his industry receives the benefit of protection from expensive litigation.

The workman in return, though he loses the precarious right to sue in tort for damages, receives...a stipulated amount based upon his economic position in the community.

Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.

— B.C. Sessional Papers, Volume II, 1914:M13

Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements (beginning on page 64), except for the financial information that is specifically noted as based on the smoothed investment accounting approach (see Appendix B, page 96).

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements reflect the market value of investments at the end of the reporting year (fair value investment accounting). This provides a snapshot or point-in-time reading of financial assets, which means that short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term losses should not necessarily signal the need to increase premium rates or reduce worker benefits. Similarly, short-term gains in asset value are not necessarily available to lower employer premium rates or increase worker benefits.

To avoid rate fluctuations generated by financial market volatility, as was evident in 2008, WorkSafeBC continues to set premium rates using smoothed investment accounting, which is based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

Comparing fair value to smoothed operating results ($ millions)	2008 fair value	2007* fair value	2008 smoothed	2007* smoothed
Operating surplus (deficit)	(632)	904	(286)	783
Other comprehensive income (loss)	(1,463)	(621)	—	—
Total comprehensive income (loss)	(2,095)	283	(286)	783
Portfolio investments	10,400	11,887	10,940	10,618
Other assets	682	681	682	681
Total assets	11,082	12,568	11,622	11,299
Total liabilities	9,594	8,985	9,594	8,985
Fund balance				
Unappropriated balance	1,012	1,622	619	884
Reserves	1,409	1,430	1,409	1,430
Accumulated other comprehensive income (loss)	(933)	531	—	—
Total liabilities and fund balance	11,082	12,568	11,622	11,299

* Certain 2007 figures have been restated — see Note 3 — Prior period adjustment on page 73.

Prudent investment promotes sustainability

To ensure long-term financial sustainability of the workers' compensation system, the *Workers Compensation Act* stipulates that the present and future costs of injuries arising in a given year should be collected by way of assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote sustainability of the system through prudent investment of the Accident Fund. The minimum long-term investment objective of the fund is to earn a real rate of return (the rate of return over inflation) of 3.0 percent, which is the discount rate used to determine the fund's actuarial liability. (This is down from 3.5 percent in 2007. See page 55 for details.) The primary determinant of the Accident Fund's risk and expected return is its asset mix, which is determined by WorkSafeBC's Board of Directors under the advisement of an investment committee, which includes three independent external investment experts in addition to WorkSafeBC's President and Chief Executive Officer, and Chief Financial Officer. The Board of Directors regularly reviews and updates a statement of investment policies and goals (SIPG) for the Accident Fund. Among other things, the SIPG sets out a risk budget that guides the investment strategies for the Accident Fund. Currently, 45 percent of the Accident Fund's investment portfolio is targeted to be allocated to fixed-

income investments, such as bonds (with a permissible range of 35 to 55 percent). Another 45 percent is the target allocation to Canadian and international equities (with a permissible range of 30 to 55 percent). The final 10 percent is allocated to real estate (with a permissible range of 5 to 15 percent). The circumstances created by the financial crisis in 2008 caused management to be under target weight in equities (at approximately 37 percent) and overweight in real estate (at approximately 17 percent) at the end of 2008 (see discussion on page 56).

WorkSafeBC experienced investment losses of 8.2 percent[3] in 2008. While the Accident Fund did not achieve the minimum required real rate of return for 2008, this negative return should be evaluated in the context of the worldwide economic downturn, the turmoil in capital markets, and the decline in global equity prices in 2008. Comparing the organization's investment performance to that of other institutional funds in Canada, WorkSafeBC's loss of 8.2 percent was significantly better than the average median return of negative 16 percent for Canadian institutional balanced funds.[4]

Capital adequacy policy offers protection

In 2007, WorkSafeBC's Board of Directors approved the creation of a Capital Adequacy Reserve (CAR) to address the organization's long-term capital requirements. This reserve helps to ensure secure worker benefits by targeting capital levels comparable to those required by private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). The reserve will also assist in the management of premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see page 39).

In 2008, the Board of Directors approved a $21-million withdrawal from the CAR for the purpose of transferring these funds to the unappropriated balances of the rate groups. The reason for this transfer was to dampen likely increases in projected assessment rates for 2010 (the effect of the CAR is a $0.028 reduction in the expected 2010 rate). These increases can be attributed to the negative financial impacts of 2008, including poor investment returns, the change in the net discount rate, from 3.5 percent to 3.0 percent, as well as higher-than-anticipated health care claim costs.

The Capital Adequacy Reserve is part of the total capital available, which includes other reserve balances, the unappropriated surplus balance, and accumulated other comprehensive income. In years with positive financial results, WorkSafeBC will set aside funds, based on a prescribed formula, until the reserve is built up to a target level (established using the OSFI methodology).

WorkSafeBC's financial strength can be assessed using two main measures. The primary measure is the ratio of total assets to a specific target asset level as defined in key objective/performance indicator #8 (see page 39). This measure, unique in Canadian workers' compensation insurance systems, tracks the organization's ability to withstand the impact of large financial shocks, such as occurred in 2008. Over the course of 2008, this measure fell from 103 percent to 88 percent of the target asset level. The long-term goal is to rebuild this measure to 100 percent; however, the current level continues to demonstrate that the organization is in a strong position to withstand similar financial impacts, should they occur. The second measure is to determine the "funding level," the ratio of assets to liabilities, a measure of short-term financial strength used by other workers' compensation boards in Canada (see Appendix B, page 96). WorkSafeBC's funding level was 116 percent at the end of 2008.

The impact of accounting changes on financial statements

WorkSafeBC made a significant change in financial reporting in 2004, adopting the Canadian fair value accounting standard for financial instruments. This results in some complexity in the organization's reporting, as premium rate setting continues to be based on smoothed investment accounting. In 2011, this degree of complexity may increase, due to a movement in Canadian accounting to adopt International Financial Reporting Standards (IFRS).

One particular proposed change — fair value reporting for liabilities reported in financial statements — is expected to have a significant impact on the financial reporting of all Canadian workers' compensation insurers. This change will not be in effect until 2012, at the earliest, as the revision to the accounting standard for insurance contracts is still being reviewed by the International Accounting Standards Board. For the implementation in 2011, management is considering several accounting policy options that could potentially affect WorkSafeBC's consolidated financial statements.

WorkSafeBC has joined other health, safety, and compensation boards throughout the country, under the auspices of the Association of Workers' Compensation Boards of Canada, to develop a coordinated analysis, planning, and implementation approach to meeting the IFRS challenge. WorkSafeBC is also participating in a working group with other B.C. public sector organizations for information sharing on IFRS implementation. See page 63 for a progress assessment of WorkSafeBC's IFRS implementation.

Governance

WorkSafeBC Board of Directors

The composition of WorkSafeBC's Board of Directors, as laid out in legislation, ensures that priority is given to the public interest and that B.C.'s worker, employer, and health care/rehabilitation communities receive a balance of representation.

Together with WorkSafeBC President and Chief Executive Officer David Anderson, the following voting members of the Board of Directors govern the organization's policy and direction.

Roslyn Kunin — Chair
(May 2008–May 2010)

Dr. Roslyn Kunin, Chair of WorkSafeBC, is the Principal of Roslyn Kunin and Associates, Inc., an economic consulting company specializing in the labour market and human resources. She is a Senior Fellow of the Canada West Foundation and a member of the National Statistics Council of Statistics Canada. Roslyn has worked in the private sector, taught at several Canadian universities, and served for 20 years as regional economist for the federal government in British Columbia and the Yukon. She is also a member of the Order of Canada.

Terry Brown — Employer Representative
(January 2007–January 2009)

Terry Brown has extensive experience in small business marketing, management, and ownership. He is currently the General Manager of Greyback Construction, a medium-sized construction company based in the Okanagan. Terry has in-depth knowledge of occupational health and safety issues, and serves as a member of the Board of Directors of the Canadian Construction Association, the National Gold Seal Committee, the Construction Sector Council (Human Resources and Skills Development Canada), and the Canadian Construction Document Committee.

Douglas Enns — Public Interest
(May 2008–January 2009)

Douglas Enns is a chartered accountant with extensive executive management experience in information technologies, banking, mergers and acquisitions, and financial regulation and reorganization. He is the Principal of Douglas J. Enns & Associates Ltd., a firm providing consulting services to banking, business, and government clients. Among his many appointments, he has acted as Chair of the Board of Governors at the University of Victoria and President of the B.C. Institute of Chartered Accountants. He was Chair of WorkSafeBC's Board of Directors from January 2003 to May 2008.

Henry Harder — Health Care & Rehabilitation Representative
(April 2008–May 2010)

Dr. Henry Harder is a registered psychologist specializing in rehabilitation and family psychology; he holds a doctorate in counselling psychology. He has practised in the field of vocational rehabilitation and disability management for 17 years, and is an Associate Professor and Chair of Health Sciences at the University of Northern British Columbia.

Stephen Hunt — Worker Representative
(January 2007–January 2009)

Stephen Hunt's background with the United Steelworkers of America covers all aspects of health and safety. He is the Western Canada (District 3) Director. As a Director of the Steelworkers Humanity Fund and a specialist in health and safety, Stephen has travelled to Peru to assist miners in developing strategies to prevent silicosis. He acts as the National Health, Safety and Environment Director for United Steelworkers, and serves on numerous provincial and national safety committees, including the B.C. Federation of Labour Occupational Health and Safety Committee.

George Morfitt — Public Interest
(December 2006–December 2009)

George Morfitt is an Adjunct Professor at the University of Victoria's School of Public Administration. During his previous appointment as Auditor General of British Columbia, he oversaw the implementation of leading-edge governance and accountability initiatives in the public sector.

Robert Smith — Actuary
(May 2007–May 2010)

Robert Smith has extensive experience in the insurance, finance, pension, and investment fields, both as a senior executive and board member. Before retiring in 2005, Robert was Principal of Mercer Human Resources Consulting, where he was responsible for the health care and group benefits practice. Robert has also served on several boards, including Vancouver Community College, the Canadian Life and Health Insurance Association, and B.C. Children's Hospital Foundation's Planned Giving Committee.

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published

On or before March 31 of each year, provide the Minister of Labour and Citizens' Services with a service plan that addresses the three-year period starting on January 1 of that year and does the following:

- Sets out WorkSafeBC's priorities
- Identifies specific objectives and performance measures for WorkSafeBC
- Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
- Compares actual results of the previous year with the expected results identified in the previous year's service plan
- Presents other information that WorkSafeBC considers appropriate

Priorities

- Prevent injury, illness, and disease in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Major accomplishments

In 2008, the major accomplishments of the Board of Directors of WorkSafeBC included:

- Maintaining a strong financial position and a flat average premium rate despite a dramatic downturn in the economy (see page 101)
- Implementing a policy to motivate employers with sustained, exceptionally high claim costs to improve their safety practices. The policy enables WorkSafeBC to apply a surcharge of up to 400 percent above the employer's base rate
- Funding 14 "innovation-at-work" projects that target practical, shop-floor solutions to improve workplace safety throughout the province, as well as 14 "research-at-work" projects to enhance knowledge and understanding about safety issues in B.C.
- Implementing regulatory enhancements to achieve greater safety for workers working underground, and in the areas of hazardous substances, cranes and hoists, the transportation of workers, and oil and gas
- Approving compensation policy enhancements for distinct groups of workers, such as variable shift workers, workers injured during return-to-work programs, and workers who have been disfigured

Committees

The Board of Directors met eight times in 2008 and held one governance and planning session. Current Board committees are as follows:

- Audit Committee — met eight times in 2008
- Human Resources and Compensation Committee — met four times in 2008
- Priorities and Governance Committee — met six times in 2008

Decisions

The Board of Directors makes decisions on policy and regulation that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay, as well as the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, along with its formal resolutions, online at www.worksafebc.com/regulation_and_policy/ policy_decision/ board_decisions/default.asp.

For more information about WorkSafeBC's Board of Directors, including the Board's Standards of Conduct, visit WorkSafeBC.com.

Accountability

The *2008 Annual Report and 2009–2011 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. We are accountable for the results achieved, for the selection of performance measures, and for how our performance has been reported.

The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2008, and ending December 31, 2008. All material fiscal assumptions and policy decisions up to March 19, 2009, have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2007 Annual Report and 2008–2010 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The measures reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance.

We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

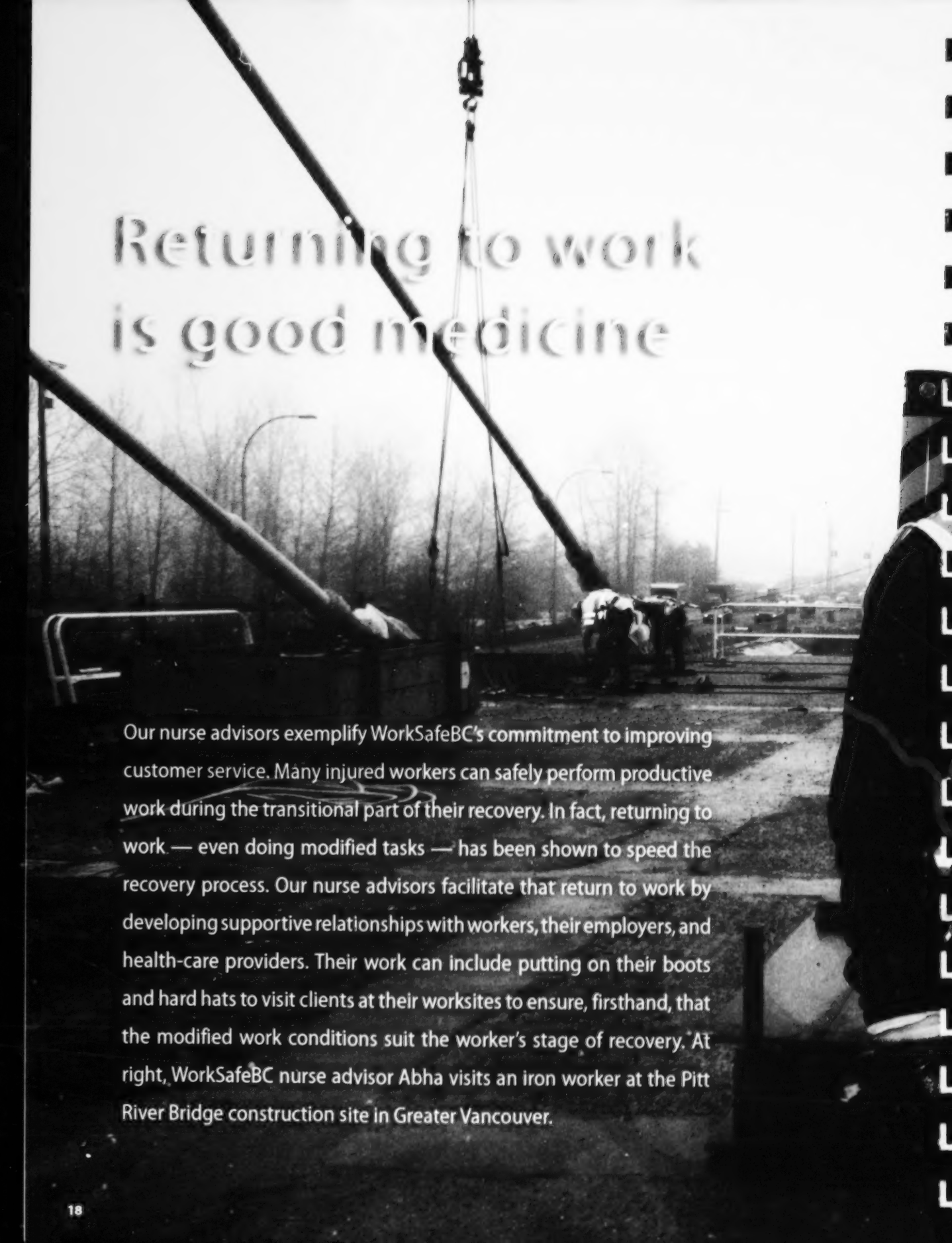
This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at WorkSafeBC.com.

On behalf of the Board of Directors and management of WorkSafeBC:

Roslyn Kunin, CM, ICD.D
Chair
WorkSafeBC

David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

Returning to work is good medicine



Our nurse advisors exemplify WorkSafeBC's commitment to improving customer service. Many injured workers can safely perform productive work during the transitional part of their recovery. In fact, returning to work — even doing modified tasks — has been shown to speed the recovery process. Our nurse advisors facilitate that return to work by developing supportive relationships with workers, their employers, and health-care providers. Their work can include putting on their boots and hard hats to visit clients at their worksites to ensure, firsthand, that the modified work conditions suit the worker's stage of recovery. At right, WorkSafeBC nurse advisor Abha visits an iron worker at the Pitt River Bridge construction site in Greater Vancouver.

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour and Citizens' Services, Province of British Columbia

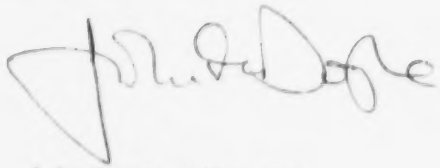
I have audited the *2008 Annual Report and 2009-2011 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2008. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether the information required by the BC Reporting Principles has been included. However, this opinion excludes Schedule A, which is unaudited, and the information presented in WorkSafeBC's financial statements, for which a separate audit opinion is provided.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2008, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.



Victoria, British Columbia
March 19, 2009

John Doyle, MBA, CA
Auditor General

Appendix to the Report of the Auditor General of British Columbia on the 2008 Annual Report of the Workers' Compensation Board of British Columbia (WorkSafeBC)

Detailed observations

Principle 1 – Explain the public purpose served
The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results
The report explains the chain of events from mission to goals, objectives, and strategies through to performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance
The report states why goals, objectives, and 11 performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity
The report summarizes key risks and capacity issues in relation to each performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results
Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical indicators of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information
Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted
We are providing a high level of assurance that the data supporting the 11 key performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although we do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialized terminology has been largely avoided in the report and the report has been issued in accordance with statutory reporting deadlines.

Principle 8 – Disclose the Basis for Key Reporting Judgments
The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and CEO have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring Our Performance

To measure its performance, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide the organization in all of its planning and decision making and, through the annual reporting process, enable WorkSafeBC to remain open and accountable to the people of British Columbia.

WorkSafeBC uses a number of objectives and performance indicators, 11 of which the Board of Directors and Senior Executive Committee have identified as key contributors to the fulfillment of WorkSafeBC's strategic goals (see page 4).

In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators in relation to WorkSafeBC's strategic goals
- Validity of the indicators (i.e., do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key objective/performance indicators reflect WorkSafeBC's commitment to reporting its performance in terms of a balanced scorecard — an analysis of the organization's ability to incorporate both financial and non-financial factors toward fulfilling its mandate, mission, and vision. By looking beyond purely financial measures of success, WorkSafeBC gains a more comprehensive picture of its overall performance and uses that information to initiate internal changes and enhance its business operations.

WorkSafeBC monitors and assesses each performance indicator (along with additional measures used at the corporate and divisional levels) throughout the year to track its progress toward targeted goals. The organization updates most indicators on a monthly or quarterly basis, which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to get back on target.

Changes from the previous year

Ten of the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003,* although some definitions and methods of calculation have changed over time. Any substantive changes in the methods used for calculating these key objective/performance indicators are noted in the year in which they were made.

WorkSafeBC's Board of Directors may change or discontinue key objective/performance indicators or introduce new ones at any time. For example, in 2008, WorkSafeBC modified key objective/performance indicator #8 (see pages 39 and Appendix D on page 105).

If a measure changes after the annual report and service plan has been submitted to the Minister of Labour and Citizens' Services, the change is reported in the following year's report. WorkSafeBC also reports the results of measures that have been discontinued from the previous year, and, whenever possible, the historical results. This provides readers with a context to interpret and compare the target's results from year to year.

Setting annual targets

In setting annual targets for each key objective/performance indicator, WorkSafeBC considers several factors, including its historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C: Operating Environment, beginning on page 100).

In setting its annual targets, WorkSafeBC strives for continuous improvement. In some cases, however, the targets it sets for future years may be the same or lower than the levels achieved in the previous year. This situation can occur when the factors that contributed to past performance are no longer expected to continue. For example, the organization may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or a one-time allocation of resources. Targets may also be less favourable than past performance when certain expenditures or activities are expected to affect the outcome. For example, an investment in new technology could increase WorkSafeBC's administrative costs for a period of time. This type of temporary cost increase would be factored into the determination of future targets, where appropriate.

The section that follows lists each key objective/performance measure, the factors that contributed to the performance outcome, and WorkSafeBC's annual targets through to 2011.

WorkSafeBC's targets are consistent with the meaning and use described in the Performance Reporting Principles for the British Columbia Public Sector. In that context, a target is a forecast of a performance measure's value in a given year of the service plan. These targets are not intended to limit the organization's potential to strive for service improvement, or to dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key objective/performance results contained in this annual report. In an ongoing effort to improve its performance reporting, WorkSafeBC has submitted its annual report to a voluntary annual audit by the Office of the Auditor General of B.C. for the past six years. This audit is intended in part to validate the systems and processes the organization uses to collect performance data, verifying the accuracy of its results and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 20 and 21.

WorkSafeBC will endeavour to expand on the quality, consistency, comparability, and completeness of the data contained in its annual report through ongoing auditing and quality-control initiatives. The Board of Directors and Senior Executive Committee will continue to evaluate the performance measures and refine them as necessary to ensure each measure accurately reflects WorkSafeBC's progress in working toward its overall strategic goals.

Comparing results over time

Each performance measure cited in this report includes a comparison to past results. While WorkSafeBC's criteria for measuring its performance generally remain the same from year to year, the overall operating environment must be considered to properly interpret the results over time. A change in the mix of economic activity — an increase in construction activity, for example — can influence the outcome of several performance measures.

Similarly, changes in the proportion of occupational disease claims could affect the measure for timeliness of payments, since claims for disease are complex and generally take more time to adjudicate. Changes in the economy can also influence some measures more than others. When demand for labour is strong, for instance, claim duration may diminish while successful return-to-work outcomes increase.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to measure their performance and administer their systems; however, due to differing legal requirements, policies, goals,

governing structures, and operating procedures, each jurisdiction typically uses differing means to collect and report its data. To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized measures. For more information, refer to Appendix B: Comparing Results with Other Jurisdictions, beginning on page 96.

Each key objective/performance measure reports the significant factors that have changed from past years, or are expected to change by 2011.

Claims Management Solutions

WorkSafeBC's strategic plan for 2004–2010 creates a powerful vision for the future of the workers' compensation system in B.C. To support that vision, WorkSafeBC has made a commitment to improve its services to workers, employers, and health care service providers.

The Claims Management Solutions (CMS) initiative is designed to significantly improve the organization's core processes for handling claims. In conjunction with operational changes in the Worker and Employer Services Division, CMS aims to enhance the services provided to workers and employers, allow the organization to capture and use data more effectively, enhance the organization's financial controls, and improve WorkSafeBC's overall operations.

The CMS initiative represents change — as well as WorkSafeBC's largest-ever technological undertaking. It involves replacing five major claim-management systems, and replacing and enhancing dozens of other smaller systems. CMS is designed to handle virtually all data related to past, present, and future claims, and to integrate existing services to workers and employers throughout the life-cycle of their claims.

Other expected benefits for workers and employers include:

- A timelier handling of all claims
- Greater quality and consistency in the adjudication of claims
- Earlier identification of injured workers requiring return-to-work programs
- Better service through access to alternative claim-management options, such as Teleclaim and new Internet channels for workers and employers
- Reduced administrative costs
- An improvement in direct customer service through a reduction in routine administrative tasks

By October 2008, the CMS team had completed installation of its key operating components. As of December 2008, project managers were incorporating the conversion of claims data from previous years and conducting tests on the system's applicability for a broad range of users — elements of the project expected to be complete by the first quarter of 2009.

WorkSafeBC will implement CMS in 2009. The implementation date will depend on a number of factors, including the results of system and user testing, the effective conversion of claims data, user training for WorkSafeBC employees, and WorkSafeBC's reporting requirements.

CMS is designed to be a powerful tool for improving the delivery of services to workers and employers well into the future. However, given the magnitude of the change, WorkSafeBC expects all claims and many support staff will need time to assimilate the changes and participate in comprehensive training sessions. As a result, some WorkSafeBC services may be temporarily affected just prior to and immediately following CMS implementation, while WorkSafeBC staff focus their energies on making the transition successful.

Linking priorities and performance

Priorities	Prevent injury and illness in the workplace Return workers to employability	Serve employers, workers, and workers' dependants Develop partnerships in prevention and durable return to work	Enhance decision making in prevention, compensation, and assessments Improve the cost-effectiveness of the services we deliver	Maintain financial stability and sustainability Educate, engage, and communicate with our stakeholders	
Goals[a]	Goal 1: Foster the improvement of occupational health and safety in workplaces	Goal 2a: Improve satisfaction, accessibility, and public confidence	Goal 2b: Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy	Goal 3: Improve cost-effectiveness and accountability of the services we deliver	Goal 4: Maintain financial sustainability and stability
Objectives	Reduce the provincial injury rate	Reduce the average short-term claim duration[b] Improve return-to-work outcomes for workers in vocational rehabilitation Improve timeliness of initial short-term disability payments Improve injured workers' rating of overall experience Improve employers' rating of overall experience Raise public confidence	Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy	Control administration costs	Achieve 100 percent of the target asset level Attain an aggregate premium rate between $1.25 and $2.25 (per $100 of assessable payroll)
Indicators	Injury rate (accepted short-term disability claims per 100 person-years of employment) (performance indicator #1) (pg. 27)	The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2) (pg. 30) Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3) (pg. 31) The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4) (pg. 32) Survey results: injured workers' rating of overall experience (performance indicator #5) (pg. 34) Survey results: employers' rating of overall experience (performance indicator #6) (pg. 35) Ipsos Reid public contribution index (performance indicator #7) (pg. 37)	The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (performance indicator #11) (pg. 44)	Annual administration costs per $100 of assessable payroll collected from employers (performance indicator #10) (pg. 43)	Percentage of the target asset level achieved (performance indicator #8) (pg. 39) Aggregate premium rate (performance indicator #9) (pg. 41)

a Workers' Compensation in 2010 and Beyond: Strategic Plan (WorkSafeBC, September 21, 2004), www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf

b WorkSafeBC's objectives emanate from the organization's underlying goals for improvement. By meeting the objectives listed in this column, such as reducing the average short-term claim duration, WorkSafeBC can achieve its key goal of improving satisfaction, accessibility, and public confidence.

Performance targets and results at a glance

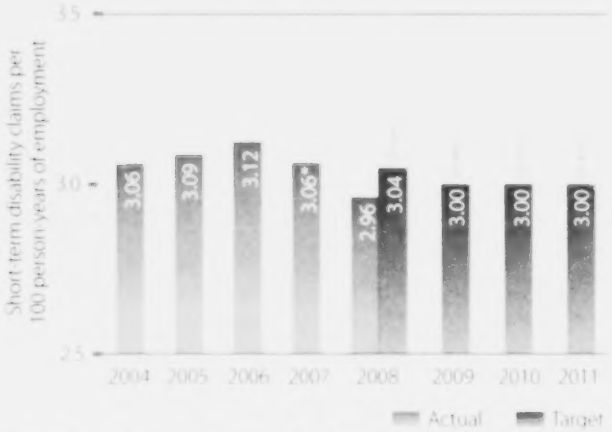
Key objective/performance indicator	2008 target	2008 result	2009 target	2010 target	2011 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by WorkSafeBC per 100 person-years of employment)[a]	3.04 or less	2.96	3.00 or less	3.00 or less	3.00 or less
2. Reduce the average short-term claim duration[a]	46.3 days	48.1 days	48.5 days or less	47 days or less	45 days or less
3. Improve return-to-work outcomes for workers in vocational rehabilitation[a]	75% or more	81.7%	75% or more	75% or more	75% or more
4. Improve timeliness of initial short-term disability payments	18.0 days	17.8 days	17.5 days	17.0 days	17.0 days
5. Improve injured workers' rating of overall experience	73% good or very good	73% good or very good	74% good or very good	75% good or very good	75% good or very good
6. Improve employers' rating of overall experience[a]	78% good or very good	81% good or very good	80% good or very good	80% good or very good	80% good or very good
7. Raise public confidence[a]	82%	85%	83%	84%	85%
8. Achieve a funding level reflecting 100 percent of the Target Capital Reserve (see Appendix D)	50%	36%	—	—	—
Achieve 100 percent of the target asset level	—	88%	88%	88%	88%
9. Attain an aggregate premium rate between $1.25 and $2.25 (per $100 of assessable payroll)[a]	$1.55	$1.51	$1.52	$1.55	$1.57
10. Control administration costs (per $100 of assessable payroll)	$0.34	$0.34	$0.34	$0.33	$0.34
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy)[a]	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 1.1% Appeal level: 1.8%	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less

a The 2009 target is less favourable than the result achieved in 2008. For more information, refer to the key objective/performance indicators on the following pages.

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate[8]

B.C. injury rate



* The 2007 annual report stated a result of 3.07. The actual result, available in March 2008, was 3.06.

Importance

WorkSafeBC's number one priority is the prevention of work-related injury, illness, disease, and death. The organization gauges its progress in this area by measuring the provincial injury rate — the number of wage-loss claims first accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the human cost paid through work-related injuries and deaths.

Setting targets

Fluctuations in the provincial injury rate are influenced by a number of factors, including changes in economic activity, industry practices, and the risk of injury in each sector.

The provincial injury rate is a composite figure, based on the injuries experienced in all sectors. To set targets, WorkSafeBC examines the current injury rate in each sector and estimates the impact that programs, initiatives, and changes within the sector will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is the provincial injury rate target. While WorkSafeBC uses the same criteria to measure the injury rate target from year to year, changes in economic activity can influence the results over time.

The following table shows the estimated change in the 2008 injury rate for each sector, compared with the final injury rate for 2007. This data also serves as a basis for WorkSafeBC to calculate its future targets.

Injury rate by sector

		Estimated change in 2008[11]
Primary Resources	3.9	No change
Manufacturing	5.0	Slightly lower
Construction	6.1	Slightly lower
Transportation and Warehousing	6.1	No change
Trade	2.9	No change
Public Sector	4.7	No change
Service Sector	1.9	No change

No change = No statistically significant change at the 95 percent confidence level
Slightly lower = Statistically significant decrease at the 95 percent confidence level

Performance highlights

The provincial injury rate decreased from 3.06 in 2007 to 2.96 in 2008, the lowest injury rate on record in B.C. This drop is attributed primarily to a decreasing injury rate in some high-risk sectors, construction and manufacturing in particular. WorkSafeBC applauds all workplace participants for their contribution to reducing the provincial injury rate. In light of B.C.'s buoyant economy in the first three quarters of 2008, which saw employment rise in high-risk industries, the 2008 result is particularly noteworthy.

The year 2008 also saw a 2.9 percent decrease in the number of WorkSafeBC claims. Sadly, the number of provincial fatalities reached 160, a 15 percent increase over 2007. Nearly 50 percent of those fatalities were related to occupational disease, many of which were related to workers' exposure to asbestos 20 to 50 years ago. Fatalities related to occupational disease are on the rise and are of great concern to WorkSafeBC and others dedicated to workplace health and safety.

Major programs and strategies

To achieve its mandate, WorkSafeBC uses the following, three-pronged approach:

Enforcement — WorkSafeBC ensures employers comply with the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy by conducting workplace inspections and applying written orders, penalties, and warning

Performance targets and results at a glance

Key objective/performance indicator	2008 target	2008 result	2009 target	2010 target	2011 target
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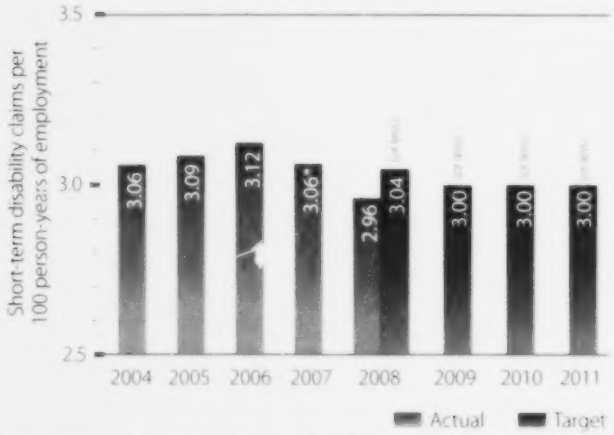
Performance Targets and Results

Key objective/performance indicator #1:

Reduce the provincial injury rate[8]

B.C. injury rate



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Importance

WorkSafeBC's number one priority is the prevention of work-related injury, illness, disease, and death. The organization gauges its progress in this area by measuring the provincial injury rate — the number of wage-loss claims first accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the human cost paid through work-related injuries and deaths.[9]

Setting targets

Fluctuations in the provincial injury rate are influenced by a number of factors, including changes in economic activity, industry practices, and the risk of injury in each sector.

The provincial injury rate is a composite figure, based on the injuries experienced in all sectors. To set targets, WorkSafeBC examines the current injury rate in each sector and estimates the impact that programs, initiatives, and changes within the sector will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is the provincial injury rate target. While WorkSafeBC uses the same criteria to measure the injury rate target from year to year, changes in economic activity can influence the results over time.[10]

The following table shows the estimated change in the 2008 injury rate for each sector, compared with the final injury rate for 2007. This data also serves as a basis for WorkSafeBC to calculate its future targets.

Injury rate by sector

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Performance highlights

The provincial injury rate decreased from 3.06 in 2007 to 2.96 in 2008, the lowest injury rate on record in B.C.[12] This drop is attributed primarily to a decreasing injury rate in some high-risk sectors, construction and manufacturing in particular. WorkSafeBC applauds all workplace participants for their contribution to reducing the provincial injury rate. In light of B.C.'s buoyant economy in the first three quarters of 2008, which saw employment rise in high-risk industries, the 2008 result is particularly noteworthy.

The year 2008 also saw a 2.9 percent decrease in the number of WorkSafeBC claims. Sadly, the number of provincial fatalities reached 160, a 15 percent increase over 2007. Nearly 50 percent of those fatalities were related to occupational disease, many of which were related to workers' exposure to asbestos 20 to 50 years ago. Fatalities related to occupational disease are on the rise and are of great concern to WorkSafeBC and others dedicated to workplace health and safety.

Major programs and strategies

To achieve its mandate, WorkSafeBC uses the following, three-pronged approach:

Enforcement — WorkSafeBC ensures employers comply with the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy by conducting workplace inspections and applying written orders, penalties, and warning

letters. The organization helps business owners, employers, workers, supervisors, and workers understand and meet their legislated responsibilities — making workplaces safer for everyone. In 2008, WorkSafeBC increased its workplace inspections by 11 percent and issued 17 percent more corrective orders.

Consultation and education — WorkSafeBC works in partnership with employers, workers, labour unions, and other stakeholders to improve workplace health and safety in B.C.

Incentives — WorkSafeBC provides financial incentives for workplace health and safety, return-to-work programs, and demonstrated improvements to safety performance. These incentives include discounts on premiums through WorkSafeBC's experience rating program and the Partners in Injury and Disability Prevention Program (see below).

In 2008, through its Prevention Injury Reduction Strategy, WorkSafeBC focused on the following activities:

High-risk strategy
This strategy identifies high-risk classification units,[13] enabling WorkSafeBC to reallocate its resources to industries that appear to need them most. During 2008, WorkSafeBC focused its resources on 241 classification units in seven high-risk industries.

Partnerships with safety associations
Through employer premiums, WorkSafeBC continued to fund 12 industry safety associations and to work in partnership with eight safety-focused organizations. Proposals for five new safety associations are currently under development.

Partners in Injury and Disability Prevention
This program provides premium rebates to employers who pass an external audit and certification of their safety-management program. Seven certifying partners — primarily safety associations — administer the program for their industries.

Account management
In B.C., 1 percent of all employers incur more than 50 percent of all claims. WorkSafeBC is trying to reach these employers through programs such as account management and Focus on Safety. Through the account management program, WorkSafeBC assigns a dedicated contact to help firms reduce their injury rates and enhance their disability management programs. To meet the needs in claims operations during the organization's transition to CMS (see page 24), WorkSafeBC curtailed the account management program during 2008. Following the implementation of CMS, WorkSafeBC will once again increase the activities in the account management program.

Focus on Safety
Under this program, WorkSafeBC account managers and health and safety officers worked to improve the safety records in firms that had a disproportionately negative influence on the provincial injury rate. Throughout 2008, this program allowed WorkSafeBC to develop working relationships with senior managers interested in improving health and safety in the workplace, and thereby reducing the human and financial costs of workplace injuries.

Outreach programs
WorkSafeBC's outreach programs are designed to foster safety across a wide variety of B.C. workplaces. During 2008, under the program, WorkSafeBC participated in community and industry forums, trade shows, and campaigns targeted at young workers, and provided a range of safety-related information in several of B.C.'s most common languages.

Looking ahead

In 2008, for the first time on record in British Columbia, the provincial injury rate dipped below 3.0. Since the injury rate is a composite measure based on the injuries occurring in all sectors, it will be challenging to maintain or improve the injury rate in future years. Therefore, the targets for 2009 to 2011 have been set at 3.0.

Given the current economic climate, the organization will likely find it increasingly difficult to achieve further reductions in the provincial injury rate. Faced with financial uncertainties, employers will be looking for ways to cut their costs. The composition of the workforce will likely change, new health-and-safety issues may emerge, and non-traditional employer/worker relationships will continue to evolve — all of which could impede efforts to improve workplace safety. WorkSafeBC will continue to develop initiatives to meet the needs of B.C.'s dynamic social and economic climate, working closely with employers, labour unions, workers, and others to ensure B.C. workplaces are as safe and healthy as possible.

WorkSafeBC will also continue to focus on reducing injury rates within sectors that incur a higher-than-average number of injuries. By targeting these groups, the organization can provide the greatest benefit to the highest number of workers. Under this initiative, WorkSafeBC allocates injury prevention resources to seven of the highest-risk industry sectors: construction, fishing, forestry, health care, manufacturing, oil and gas, and transportation. WorkSafeBC has developed customized prevention strategies, tailored to the unique characteristics of each of

these sectors, that will continue to be implemented throughout 2009.

WorkSafeBC will maintain its focus on providing resources to help new and young workers and on preventing occupational disease. The organization will also provide leverage to its key business and labour partners to increase each sector's ownership and responsibility for the reduction of workplace illness and injury. To ensure WorkSafeBC's safety message reaches B.C.'s diverse workforce, the organization will consider it a high priority to provide safety education to workers in their first language.

WorkSafeBC will continue to support prevention, education, and awareness initiatives in 2009, through its multi-year targeted communication strategy. The goal is to create an injury-averse culture and put occupational health and safety concerns at the top of the minds of all working British Columbians.

Serious injury rate

Life-altering incidents demand special attention. While lower injury rates can be achieved by reducing all types of injuries, WorkSafeBC is particularly concerned with lowering the rate of serious injuries. To reflect this commitment, in 2008, the organization developed a measure to track the most serious injuries — a measure that will enable WorkSafeBC to monitor the success of its prevention strategies in this area.

The serious injury rate[14] is a subset of the provincial injury rate. The serious injury rate for 2008 was 0.96; in other words, about a third of claims met the criteria for inclusion in the serious injury rate. Throughout the year, the relationship between the provincial injury rate and the serious injury rate remained relatively stable.

The serious injury rate is calculated as follows:

The denominator: The number of person-years of WorkSafeBC-covered employment.

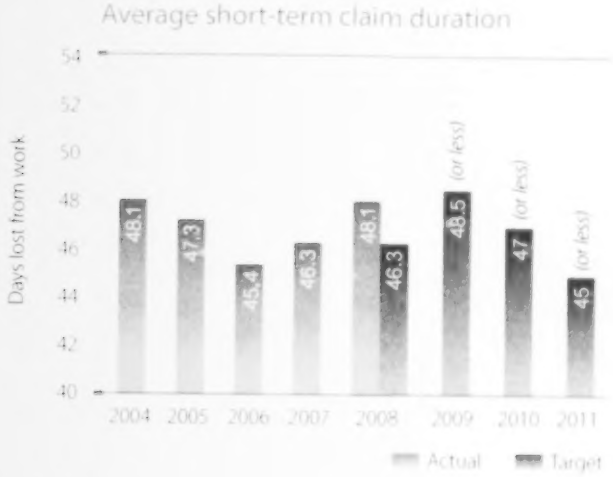
The numerator:[15] Claims with at least one of the following criteria:

- The claimant received at least 28 days of wage-loss benefits during that period
- The claimant required extensive hospitalization or medical services
- The claim is a fatality
- The claim met one of 275 specific diagnostic codes identified by WorkSafeBC's medical and occupational safety professionals as being the most life-threatening or life-altering conditions of those listed in the ninth revision of the *International Classification of Diseases*, developed by the World Health Organization. These codes are commonly referred to as ICD-9s.

For more information about the serious injury rate, see *WorkSafeBC Statistics 2008* at WorkSafeBC.com.

Key objective/performance indicator #2:

Reduce the average short-term claim duration



Importance

The average short-term claim duration is the average number of days lost from work as a result of work-related injury, illness, and disease.* When an injury occurs, WorkSafeBC's claim management team aims to provide workers with timely clinical and other support services. Experience shows that workers benefit most from returning to work as soon as safely possible. In fact, the evidence shows that the longer workers stay away from their jobs, the more difficult it is for them to return.

Setting targets

The duration of a short-term claim will depend on a number of factors, such as the nature of the injury, the age and gender of the injured worker, and the worker's transferable skills. Other external factors can also influence the time required to process and complete a claim, including the timeliness of treatment and adjudication of the claim, the availability of return-to-work opportunities, the general mix of claims accepted by WorkSafeBC at any given time, and the volume of claims from specific industry sectors.

WorkSafeBC establishes its targets for claim duration based on a number of factors, including the degree to which it expects to manage a similar mix of claims over time and on projections for change to its systems, resources, and practices for expediting care and improving the efficiency of claim adjudication. In setting its targets, WorkSafeBC also considers the general economic climate and the expected motivation of employers and workers to engage in return-to-work initiatives, workplace modification, and job-accommodation programs.

Performance highlights

In 2008, the average short-term duration was 48.1 days, a slight increase from the 2007 result. Current duration, however, remains in the mid-range of the average duration in the past decade.

Throughout 2007 and 2008, the duration of claims tended to be longer, in part because of the redirection of claim management resources to the implementation of Claims Management Solutions (CMS) (see page 24). During 2008, this trend also coincided with a slowing of economic activity in the province. Once CMS becomes fully operational, and WorkSafeBC employees involved in this project are redeployed to service roles, the organization anticipates a decrease in the duration of claims.

Major programs and strategies

When an injury occurs, WorkSafeBC supports the worker and his or her family toward a safe return to work following the worker's medical recovery. In 2008, WorkSafeBC continued to use the following strategies to assist and support injured workers in their return to work:

Dual-stream — This service model allows for early intervention through the initiation of return-to-work planning within days of the acceptance of a claim. It includes exploring return-to-work options with the worker, employer, and physician.

Nurse advisor assistance — Nurse advisors assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims. In recent years, WorkSafeBC has expanded its team of nurse advisors to better meet the needs of injured workers.

Staff development — WorkSafeBC implemented professional development programs to help staff enhance their skills, which in turn increased their ability and capacity to handle a high volume of claims. Adjudication staff and case managers benefited in particular from these programs.

Clinical programs — A series of programs were customized to meet the individual needs of workers in a timelier fashion, thereby reducing wait times in the processing of claims.

Industry segmentation — WorkSafeBC staff's effort to identify and respond to the unique needs of individual industries has allowed them to gain greater knowledge about the industries they serve. As a result, staff are better equipped to work with worker and employer partners to overcome return-to-work barriers in individual industries.

Resources for serious injuries — Claims that meet the serious injury rate criteria (see Serious injury rate, page 29) tend to require longer periods of recovery. WorkSafeBC will continue to allocate additional resources to identify the sources and causes of these injuries in order to reduce both their frequency and their impact on workers — including the duration of the disabilities.

Looking ahead

Historically, WorkSafeBC's target projections for the duration of claims have been based on certain assumptions — relatively stable economic growth, a full complement of staff, and improvements to technology and business processes, among other factors. During 2007 and 2008, these factors were more dynamic than the organization had originally expected them to be. Consequently, WorkSafeBC has adjusted its targets to more modest levels than those indicated in the 2007 annual report.

In 2009, WorkSafeBC will be implementing the CMS initiative, which could temporarily affect the organization's ability to meet its standard service levels (see page 24).

WorkSafeBC expects to process a stable volume of claims in the next few years; nonetheless, the organization expects to see short-term claim duration increase to 48.5 days in 2009, and then to see this number decline in 2010 and 2011 to 47 days or less and 45 days or less, respectively.

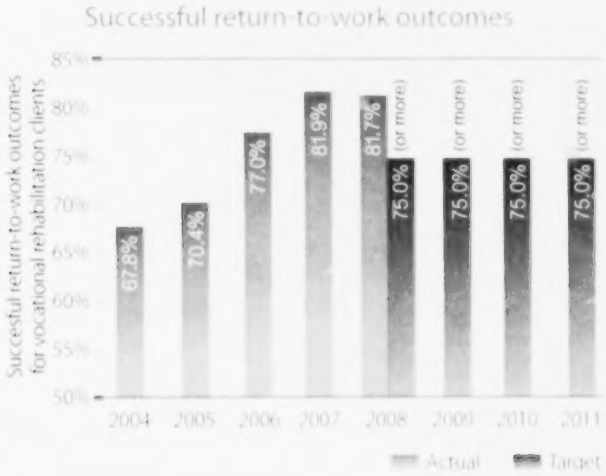
The economic downturn in certain regions of B.C. may also affect claim duration levels by potentially lessening the number of modified-duty work opportunities. To mitigate this risk, WorkSafeBC is focusing its prevention activities on reducing the root causes of work-related injuries, diseases, and illnesses.

In 2009, WorkSafeBC will continue to operate an early-intervention model, which allows WorkSafeBC nurse advisors and, if required, vocational rehabilitation consultants, to support injured workers earlier in the claim process. The work of these specialists is expected to reduce claim duration through hands-on implementation of return-to-work programs and disability-management systems. As well, the early-intervention model, implemented in 2005, improves return-to-work outcomes and further reduces average short-term claim duration. However, the success of this approach remains closely linked with the availability of return-to-work options in B.C.'s workplaces.

To counter the effect of future employment losses, WorkSafeBC will strive to strengthen its partnerships with individual employers and industry associations in order to build an increased capacity for successful return-to-work opportunities.

Key objective/performance indicator #3:

Improve return-to-work outcomes for workers in vocational rehabilitation



Importance

The main goal of vocational rehabilitation is to ensure workers return to work as quickly, safely, and successfully as possible. Many workers with catastrophic, severe, and complex injuries are unable to return to work without assistance. Typically, about 5 percent of all injured workers who have wage-loss claims — approximately 3,100 workers a year — are referred to WorkSafeBC's vocational rehabilitation program for assistance with their return to work.

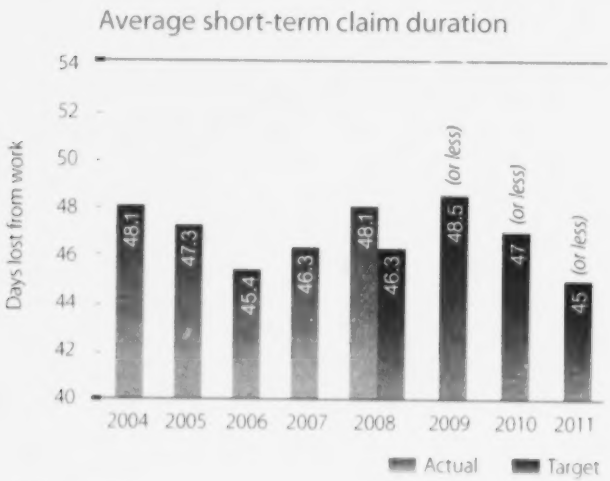
The program facilitates the transition back to work by offering counselling, vocational assessment, knowledge and skill development, and job placement. To measure the effectiveness of its efforts, WorkSafeBC tracks and records the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by Vocational Rehabilitation Services.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as safely possible. However, since workers referred to the vocational rehabilitation program have often suffered the kind of complex injuries that preclude a successful return to work, the program is unlikely to achieve a 100 percent success rate. Some studies suggest it might be more reasonable to expect two thirds to three quarters of all referred workers to successfully regain employment. WorkSafeBC's current return-to-work targets reflect management's best expected outcomes.

Key objective/performance indicator #2:

Reduce the average short-term claim duration



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The duration of a short-term claim will depend on a number of factors, such as the nature of the injury, the age and gender of the injured worker, and the worker's transferable skills. Other external factors can also influence the time required to process and complete a claim, including the timeliness of treatment and adjudication of the claim, the availability of return-to-work opportunities, the general mix of claims accepted by WorkSafeBC at any given time, and the volume of claims from specific industry sectors.

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Industry segmentation — WorkSafeBC staff's effort to identify and respond to the unique needs of individual industries has allowed them to gain greater knowledge about the industries they serve. As a result, staff are better equipped to work with worker and employer partners to overcome return-to-work barriers in individual industries.

Resources for serious injuries — Claims that meet the serious injury rate criteria (see Serious injury rate, page 29) tend to require longer periods of recovery. WorkSafeBC will continue to allocate additional resources to identify the sources and causes of these injuries in order to reduce both their frequency and their impact on workers — including the duration of the disabilities.

Looking ahead

Historically, WorkSafeBC's target projections for the duration of claims have been based on certain assumptions — relatively stable economic growth, a full complement of staff, and improvements to technology and business processes, among other factors. During 2007 and 2008, these factors were more dynamic than the organization had originally expected them to be. Consequently, WorkSafeBC has adjusted its targets to more modest levels than those indicated in the 2007 annual report.

In 2009, WorkSafeBC will be implementing the CMS initiative, which could temporarily affect the organization's ability to meet its standard service levels (see page 24).

WorkSafeBC expects to process a stable volume of claims in the next few years; nonetheless, the organization expects to see short-term claim duration increase to 48.5 days in 2009, and then to see this number decline in 2010 and 2011 to 47 days or less and 45 days or less, respectively.

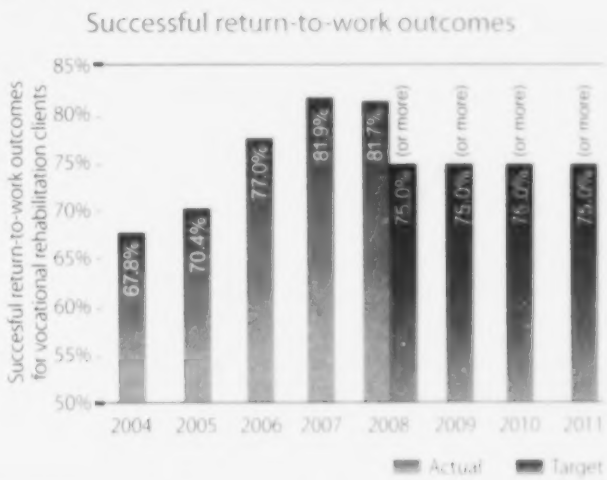
The economic downturn in certain regions of B.C. may also affect claim duration levels by potentially lessening the number of modified-duty work opportunities. To mitigate this risk, WorkSafeBC is focusing its prevention activities on reducing the root causes of work-related injuries, diseases, and illnesses.

In 2009, WorkSafeBC will continue to operate an early-intervention model, which allows WorkSafeBC nurse advisors and, if required, vocational rehabilitation consultants, to support injured workers earlier in the claim process. The work of these specialists is expected to reduce claim duration through hands-on implementation of return-to-work programs and disability-management systems. As well, the early-intervention model, implemented in 2005, improves return-to-work outcomes and further reduces average short-term claim duration. However, the success of this approach remains closely linked with the availability of return-to-work options in B.C.'s workplaces.

To counter the effect of future employment losses, WorkSafeBC will strive to strengthen its partnerships with individual employers and industry associations in order to build an increased capacity for successful return-to-work opportunities.

Key objective/performance indicator #3:

Improve return-to-work outcomes for workers in vocational rehabilitation



Importance

The main goal of vocational rehabilitation is to ensure workers return to work as quickly, safely, and successfully as possible. Many workers with catastrophic, severe, and complex injuries are unable to return to work without assistance. Typically, about 5 percent of all injured workers who have wage-loss claims — approximately 3,100 workers a year — are referred to WorkSafeBC's vocational rehabilitation program for assistance with their return to work.

The program facilitates the transition back to work by offering counselling, vocational assessment, knowledge and skill development, and job placement. To measure the effectiveness of its efforts, WorkSafeBC tracks and records the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by Vocational Rehabilitation Services.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as safely possible. However, since workers referred to the vocational rehabilitation program have often suffered the kind of complex injuries that preclude a successful return to work, the program is unlikely to achieve a 100 percent success rate. Some studies suggest it might be more reasonable to expect two thirds to three quarters of all referred workers to successfully regain employment. WorkSafeBC's current return-to-work targets reflect management's best-expected outcomes.

based on an assessment of its current programs, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2008, WorkSafeBC achieved a return-to-work success rate of 81.7 percent. Although the results are comparable to those attained in 2007, these figures remain well above the target for the year. Vocational rehabilitation consultants helped 1,900 workers return to suitable employment, about half of whom returned to work with new employers or became self-employed.

While results have exceeded targets for the third consecutive year, WorkSafeBC intends to maintain performance targets of 75 percent or more, as indicated in previous annual reports. Taking into account the current economic recession, WorkSafeBC believes this target level is appropriate for 2009 through 2011.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker/employer mediation, work assessment, worksite/job modification, job-search-and-placement assistance, and help with training and education.

Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement (EDAP) program offers other employment options. EDAP helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities and offers employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

These incentives can include a brief and completely funded work assessment, a cost-shared, on-the-job training program, worksite modifications, and/or tuition costs for job-related courses.

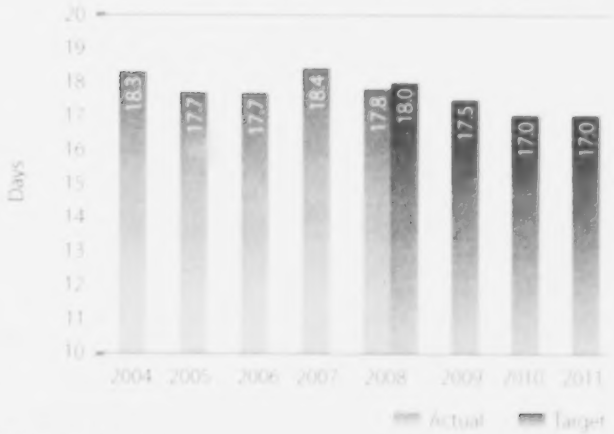
Looking ahead

A vibrant economy requires a skilled labour force, and the demand for such resources has played a major role in the success of return-to-work initiatives in recent years. However, in light of recent economic pressures, the job-opportunity environment is changing. To offset declining employment, WorkSafeBC has maintained conservative return-to-work targets as compared with the results achieved in 2007 and 2008 (see Setting annual targets, page 23). Nonetheless, WorkSafeBC remains confident about maintaining a high return-to-work rate; this goal will be achieved through continued early intervention programs and an expansion of incentive programs to encourage employers to become more actively involved in the return-to-work process. WorkSafeBC aims to achieve a return-to-work success rate of 75 percent or more in 2009, and to maintain that rate to 2011.

Key objective/performance indicator #4:

Improve timeliness of initial short-term disability payments

Timeliness of initial short-term disability payments



Importance

Many of B.C.'s injured workers rely on a steady flow of workers' compensation payments to sustain themselves and their families until they are able to return to work. To ensure injured workers receive their first short-term disability payments on time, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC endeavours to get disability payments to injured workers as quickly as possible without compromising the adjudication process. However, a number of external factors can affect the timeliness of compensation payments, such as the time required for workers, employers, and health care providers to register their claim information with WorkSafeBC.

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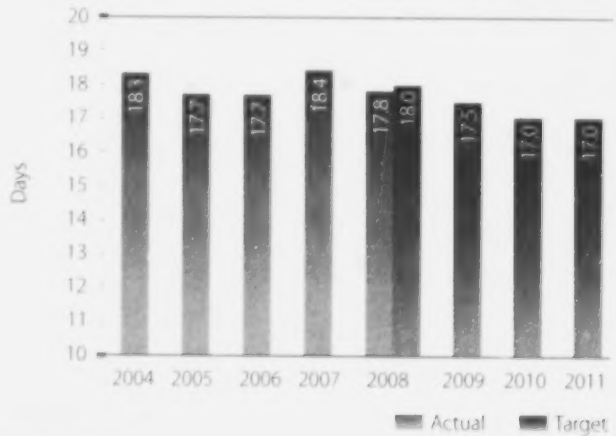

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Setting targets

WorkSafeBC surveys show that workers expect to receive their first compensation payments within two to three weeks of sustaining an injury at work. According to these surveys, workers tend to be moderately satisfied if WorkSafeBC issues payment during this time period; however, their dissatisfaction increases if no cheques have arrived after three weeks. Targets for the timeliness of payments are set in the middle of that range, from 17 to 18 days.[15]

A payment range of 17 to 18 days generally provides sufficient time for the organization to determine the eligibility of the claim and the benefit the worker is entitled to receive. This payment range also meets WorkSafeBC's goal to initiate and maintain regular bi-weekly payments for the worker, starting from the time a claim is first reported, a date the *Workers Compensation Act* stipulates must fall within three days of the incident.

Performance highlights

In 2008, WorkSafeBC's overall timeliness for delivering compensation payments improved by 0.6 days, decreasing from 18.4 to 17.8 days, while the volume of claims registered with WorkSafeBC decreased by 2.9 percent over 2007. Given the reduced resources available for claim management services in this period (see Claims Management Solutions, page 24), WorkSafeBC considers timelier processing of workers' compensation payments a notable success.

Major programs and strategies

In 2007, WorkSafeBC completed the province-wide launch of Teleclaim (see page 104), a new telephone service centre providing workers with the opportunity to process their claims more quickly by calling in to report their injuries and receive assistance with their recovery and return to work. Teleclaim is improving the organization's ability to collect accurate claim information from workers over the phone. In turn, this new system has contributed to the timely reporting of claims and consequently improved the processing speed of initial short-term disability payments.

Beginning in 2008, injured workers who called Teleclaim to file claims could speak to representatives in their language of choice through third-party interpretation in more than 170 languages. WorkSafeBC introduced this service in response to the growing number of B.C. workers for whom English is a second language. The removal of language barriers may reduce delays in the collection of claim information and in the claim decision making process. As a result, this service should improve the timeliness of payments to workers.

In addition, during 2008, WorkSafeBC restructured the services provided by Worker and Employer Services — the organization's largest operating division. This division's new service-delivery model is designed to streamline the registration of claims, the collection of relevant claim information, and the initial adjudication process. The organization also created a new unit within the division that provides expertise in setting wage rates on short- and long-term claims, and thereby, enhances the timeliness of the adjudication process.

Looking ahead

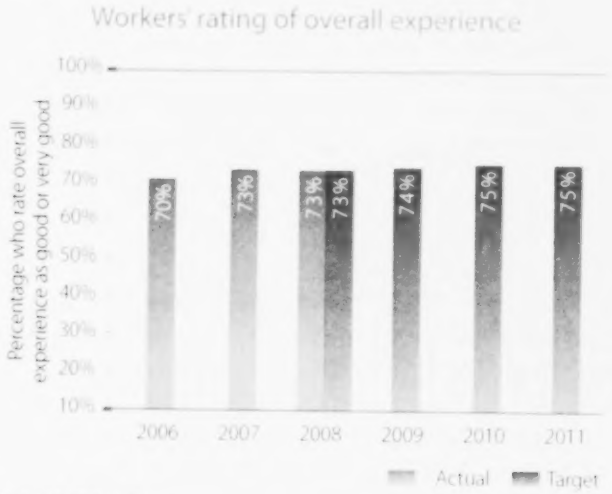
As the organization continues to divert key resources to establish the Claims Management Solutions (CMS) initiative (see page 24), WorkSafeBC may find it challenging to achieve timelier processing of short-term disability payments during 2009. However, the organization believes these challenges will be temporary ones, and fully resolved once CMS is operational. Because of the anticipated claim handling delays associated with implementation of CMS, WorkSafeBC has modified its 2009 target to 17.5 days, from 17 days as listed in the organization's 2007 annual report. The targets for 2010 and 2011 will remain at 17 days.

To further improve the timeliness of payments, in 2009, WorkSafeBC will establish a new claim service centre offering expanded call centre access to improve the flow and collection of worker-related information. This new service area supports the organization's vision for greater customer service under the CMS initiative.

Going forward, the organization will strive to educate workers, employers, and medical providers on their reporting responsibilities. To help stem the tide of incoming claims, WorkSafeBC will continue its focus on the prevention of work-related illness, disease, and injury among high-risk industries.

Key objective/performance indicator #5:

Improve injured workers' rating of overall experience



Importance

WorkSafeBC is committed to making a difference, one human being at a time. The overall satisfaction of workers reflects how well the organization is meeting the Board of Directors' priority of improving services, most of which are provided by the Worker and Employer Services division.

WorkSafeBC strives to deliver timely, caring, personalized service that meets or exceeds injured workers' expectations.

Setting targets

To measure its performance, WorkSafeBC conducts an annual random survey of 400 injured workers to gauge their impressions of WorkSafeBC and the level of service its staff provide. The main indicator of the organization's success is reflected by the way injured workers rate their overall experience with WorkSafeBC. The measure is rated on a 5-point scale, from very poor to very good. The result is expressed as the percentage of injured workers who rate their experience as good or very good.

WorkSafeBC's mandate is to provide fair compensation for workplace injury, illness, disease, and death within the boundaries set by law and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will agree with all decisions made on their claims. Also, the effort to return workers to work can become more challenging as the duration of the claim increases. Therefore, it is unrealistic to expect that all injured workers will rate their overall experience as good or very good in each and every case. WorkSafeBC is committed to delivering excellent service, but realistically expects peak performance to be about 75 percent good or very good.

Performance highlights

In 2008, 73 percent of injured workers rated their overall experience with WorkSafeBC as either good or very good, a rating that was on target and equal to the high rating workers gave WorkSafeBC the previous year.

In the initial stages of their claim process, injured workers gave WorkSafeBC the highest overall experience rating, although the result was down marginally, from 87 percent good or very good in 2007, to 86 percent good or very good in 2008.

Injured workers in later stages of the claim process generally gave WorkSafeBC the same or higher overall experience marks in 2008, compared to 2007. In Entitlement, 68 percent of injured workers rated their overall experience as good or very good, up from 63 percent the previous year. In Case Management, 59 percent of injured workers rated their overall experience as good or very good, a rating that remained unchanged from the previous year.

Major programs and strategies

In 2008, WorkSafeBC continued to refine and expand its Voice of the Customer (VOC) program — a stakeholder-feedback strategy designed to identify the areas of service most important to employers and injured workers. Feedback garnered through the VOC has helped inform and initiate the enhancement of services provided throughout the organization.

As part of that program, WorkSafeBC surveys approximately 500 injured workers per month and asks them to rate the level of service provided by their nurse advisors, entitlement officers, or case managers. The results of this survey allow WorkSafeBC to track service ratings on an office-by-office basis, identify areas of strength, and highlight opportunities for improvement. The feedback is shared with employees in each office and used to help identify and address service priorities. In 2008, nearly all WorkSafeBC offices achieved higher service ratings.

Feedback from the VOC program was also integrated into various levels of training and professional development for new and veteran employees. As well, new adjudication staff hired during the year observed focus groups to hear workers' first-hand accounts of their experiences with WorkSafeBC.

Teleclaim allows injured workers to report their time-loss injuries

by phone rather than by filling out and submitting a paper form. Beginning in late 2006, up to the end of 2008, WorkSafeBC processed approximately 71,000 claims through Teleclaim and received extremely positive feedback from injured workers. Through surveys, injured workers have said they prefer the Teleclaim service over the former paper-reporting process by a significant margin (see Appendix C, page 104). In 2009, WorkSafeBC intends to further increase the volume of claims handled through this channel.

One of the key drivers that affects injured workers' overall experience with WorkSafeBC is the help they receive to return to work. In 2008, WorkSafeBC continued to involve nurse advisors early in the claim process. This initiative, first introduced in 2005, provides injured workers with greater return-to-work planning and support earlier in the claim process. The aim is to get injured workers back to work as soon as safety possible. By the end of 2008, nurse advisors had reviewed 37 percent of all new claims, and WorkSafeBC is aiming to increase this ratio in 2009.

Looking ahead

WorkSafeBC is committed to improving service for injured workers, but foresees challenges in the year ahead. The most significant challenge will be the implementation of the Claims Management Solutions (CMS) initiative, which will change the way claims are processed (see page 24). These changes will ensure injured workers receive faster decisions on routine claims and enable staff to spend more time on complex claims. However, prior to and immediately after the launch of CMS, workers and employers can expect some disruption of services.

In the past, when WorkSafeBC underwent comparable levels of change, our customer-service ratings initially dropped. The CMS project poses similar challenges.

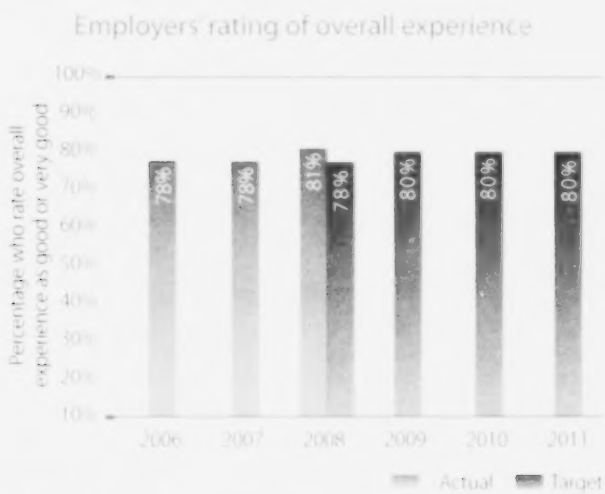
All claim services staff will need to be trained on the CMS system, making these staff less available to injured workers at various times during the initial implementation period. Staff will also require time to become proficient with the new system before injured workers will notice improvements in the processing of claims.

The volume of incoming claims is expected to stay relatively stable in the year ahead. But if the volume does rise, the quality of service could suffer. WorkSafeBC will continue to mitigate this risk through strategic prevention initiatives, particularly in high-risk industry sectors such as health care, forestry, and construction (see page 28).

WorkSafeBC will also continue to enhance and refine its Voice of the Customer program, which is helping the organization better understand and adapt to injured workers' needs.

Given the challenges associated with meeting service demands, and, in particular, the adjustments involving CMS, WorkSafeBC is aiming to make an improvement in its overall experience rating for injured workers, from 73 percent good or very good in 2008 to 74 percent in 2009. Once CMS is established and employees have had time to adjust to the changes, WorkSafeBC is aiming to improve its overall experience ratings to 75 percent in 2010 and 2011.

Key objective/performance indicator #6: Improve employers' rating of overall experience



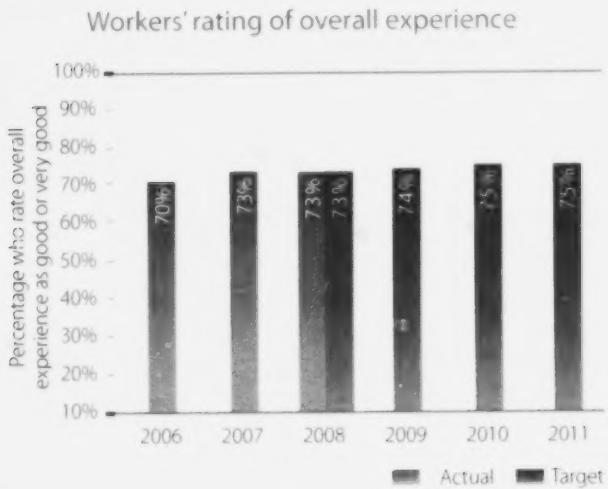
Importance

WorkSafeBC is committed to providing excellent customer service to employers through its core functions of prevention, assessment, and compensation. To measure performance in these areas, WorkSafeBC conducts an annual random survey of employers who have had two or more claims in the previous 12 months. The key indicator of success is the overall experience measure, which reflects employers' overall satisfaction with the claim process, inspections, premiums, and WorkSafeBC as a whole.

Employers are asked to rate their overall experience with WorkSafeBC as very good, good, average, poor, or very poor. From a customer-service perspective, success is determined by the percentage of respondents who rate their overall experience as good or very good.

Key objective/performance indicator #5:

Improve injured workers' rating of overall experience



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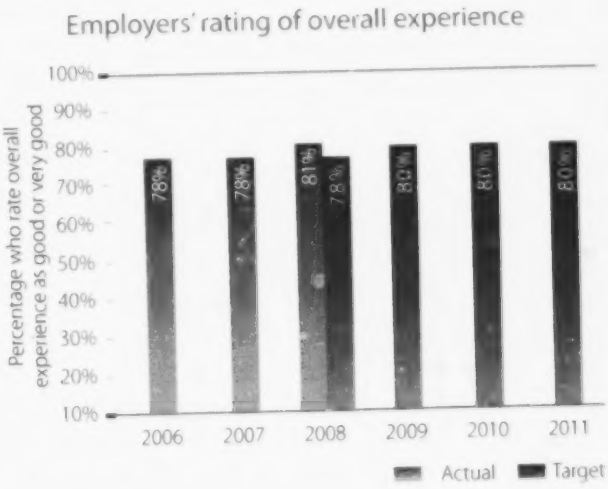

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Setting targets

In setting targets for its employer clients' overall service experience, WorkSafeBC considers its prior performance, as well as any anticipated operational challenges (changes in claim volume, staff availability, etc.) within the expected economic environment. Taking these factors into account, and considering WorkSafeBC's primary mandate as a regulatory and adjudicative body (a role that can reduce overall satisfaction), WorkSafeBC currently estimates the peak performance rating in customer service to be 80 percent good or very good for the years covered by this report.

Performance highlights

In 2008, 81 percent of surveyed employers rated their overall experience with WorkSafeBC as good or very good, which is the highest score WorkSafeBC has achieved since adopting the measure in 2005. The rating was three points higher than the target for 2008, as well as the score from 2007, both of which were 78 percent.

On average, large firms gave WorkSafeBC the highest overall experience rating (83 percent in 2008, versus 79 percent in 2007). Small firms also gave WorkSafeBC a higher overall rating (from 79 percent in 2007, to 81 percent in 2008), whereas the rating from medium-sized firms held stable at 79 percent in both years. WorkSafeBC selects medium to large firms with higher than expected injuries for increased attention through account management (see page 28). As a result of their circumstances, account-managed firms collectively rate their overall experience lower than other surveyed firms. Employers who were assigned an account manager (see page 28) reported a slightly better overall experience rating in 2008, up to 74 percent from 73 percent in 2007.

In the evaluation of WorkSafeBC's premiums, 82 percent of employers said they believed they received average, good, or very good value for their money. While this rating represents a one-point decrease from 2007, the result is 16 points above the initial result in 2005.

In the area of prevention, WorkSafeBC made solid gains, with 68 percent of employers rating the value of workplace inspections as good or very good. This rating represents a six-point improvement over a score of 62 percent in 2007 and is 18 points higher than the initial score of 50 percent in 2005.

Employers also reported higher satisfaction with the claim process. Sixty-three percent rated the process as good or very good, a nine-point improvement from the previous year, and a 12-point improvement over the 2005 score. In 2008, more employers reported being satisfied with the decisions made on their claims, the return-to-work support provided to their injured workers, and the overall service they received from WorkSafeBC's claim staff.

Major programs and strategies

In 2008, WorkSafeBC achieved a record high in its service score from employers, largely owing to recent improvements in its business processes.

Through the segmentation initiative, for example, employers have benefited from a program that matches them with WorkSafeBC teams. The teams have developed expertise in industry sectors, as well as the unique requirements of the jobs and worksites associated with each sector.

During 2008, WorkSafeBC continued to consult with employers, provide education and support, and foster new partnerships aimed at improving safety, lowering claim duration, and reducing costs.

The improvement in the organization's overall experience score can also be attributed, in part, to the performance of WorkSafeBC's Employer Service Centre (ESC). The ESC handles all incoming phone calls from employers who need to register with WorkSafeBC, inquire about their payments, or discuss their classification. In 2008, 80 percent of employers rated the ESC as good or very good, representing an eight-point improvement over 2007. Employers were particularly satisfied with the service provided by ESC staff, including their level of availability and ability to resolve issues — two areas that showed marked improvement from 2007. The recent introduction of enhanced ESC services on WorkSafeBC's web site also contributed to a successful service rating.

Employers' overall service experience is also closely associated with the cost of their premiums, and in 2008, the published base premium rate was at its lowest level in 30 years (see page 42). To maintain these low rates, WorkSafeBC continued to focus on high-risk industries with programs designed expressly to improve safety and to ensure better return-to-work outcomes. Through strategic partnerships and increased education,

inspection, and enforcement, WorkSafeBC saw a further reduction in the injury rate, including the serious injury rate (see page 29), results which factor significantly into reducing the cost of employer premiums.

Looking ahead

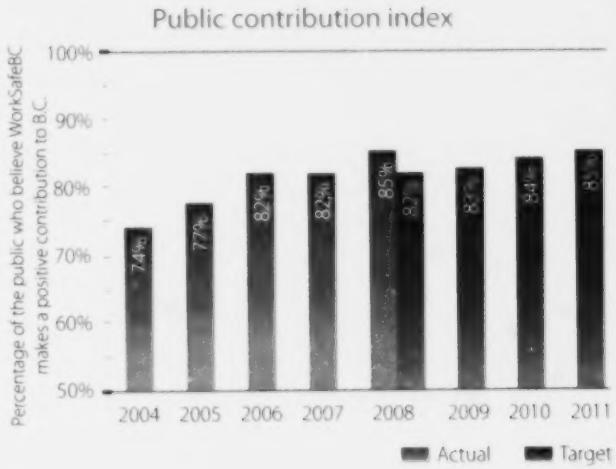
In 2009, the implementation of the Claims Management Solutions (CMS) program (see page 24) will pose the greatest challenge to the overall employer experience score. CMS is expected to enhance claim-related services for both workers and employers. But in preparing for its launch, WorkSafeBC staff will occasionally find themselves less available to employers, and this temporary service disruption will likely affect employers' overall experience rating in 2009.

The other key components that influence employers' overall WorkSafeBC experience — worksite inspections and premium costs — are expected to remain relatively stable in 2009. Any further significant declines in investment markets, a longer duration of claims, or higher costs in vocational rehabilitation could result in increased premiums in some sectors in 2010 or 2011 (see key objective/performance indicator #9, pages 41 to 43). The close association between premium rates and employer experience ratings suggests that an increase in rates could diminish future results in this area.

WorkSafeBC will continue to provide prevention programs that ensure inspectors focus first upon the worksites most in need of their enforcement and safety support. WorkSafeBC will also continue to work with employers to support improved health-and-safety performance and disability management, and thereby find ways to help these employers control their costs.

In 2008, WorkSafeBC attained a score in the peak-performance range. As cost items such as workers' compensation premiums become more important to employers in the current economic environment, it is unlikely that employers' ratings of overall experience will match 2008 results. For 2009 through 2011, the organization aims to achieve an overall experience score of 80 percent. This target takes into account both longer term economic uncertainty, as well as the short-term effects of the complexities and training processes associated with the implementation of CMS.

Key objective/performance indicator #7: Raise public confidence



Importance

WorkSafeBC strives to be recognized province-wide as a valued public asset, and it relies on the larger community for its trust and support in order to improve workplace health and safety and return-to-work outcomes for injured workers. Increased public confidence in the organization enables WorkSafeBC to deliver its health-and-safety message more effectively and build lasting partnerships with workers, employers, unions, employers' associations, and other workplace participants.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to survey 800 B.C. residents at random, four times a year, gauging how they view WorkSafeBC and its contribution to the province. This measure calculates the percentage of those expressing an opinion who rate WorkSafeBC's contribution as very positive or somewhat positive. While the survey measures various factors, its major indicator of success is reflected in the organization's overall approval rating.

Setting targets

This measure reflects how British Columbians assess WorkSafeBC's contribution to the province. While it would be unrealistic to expect a 100 percent public approval rating, each incremental increase in the index suggests greater public confidence and trust in the organization. WorkSafeBC requires this level of credibility in order to act as an agent of societal change and a champion of prevention, rehabilitation, and return to work.

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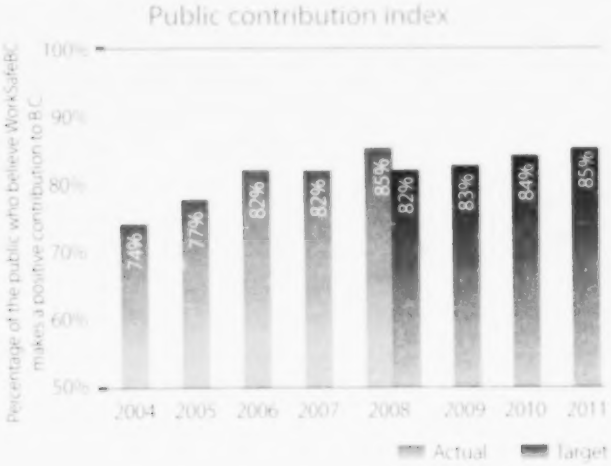

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As the index rises, however, each marginal increase becomes harder to achieve and future gains more likely to be reduced. Targets are set by taking into account both the organization's most recent results and the effect of external factors, with an eye toward long-term improvement.

Performance highlights

WorkSafeBC's average public contribution rating reached an all-time high of 85 percent positive in 2008, which exceeded the target for the year and the 2007 result, both at 82 percent positive.

Of the 2,914 British Columbians who responded to WorkSafeBC's four surveys in 2008, 2,487, or 85 percent of the respondents, said that WorkSafeBC is making a very positive or somewhat positive contribution to the province.

The current rating results reflect a continued trend that has seen WorkSafeBC's public contribution rating climb steadily from its 51 percent positive rating in 1996.

Major programs and strategies

Rather than being tied to any specific group of programs or initiatives, WorkSafeBC's public contribution rating measures the larger community's perception of all aspects of the organization, including its prevention initiatives, management and adjudication of claims, worker and employer education, return-to-work and rehabilitation programs, financial stability, and more. In essence, the rating reflects everything WorkSafeBC does and summarizes the degree to which it is valued as a contributing member of society.

WorkSafeBC's extensive public awareness campaigns likely contributed to its currently high public contribution rating. In 2008, the Raise Your Hand campaign initiated a movement to educate young workers about their right to be trained properly, and built upon 2007 messages that youth have the right and the responsibility to ask questions about safety in the workplace. The campaign centered on www.raiseyourhand.com, a web site that invites young people to visit, pledge to work safely, and post their personal experiences regarding safety in the workplace. During 2008, the web site received nearly 120,000 visits. In addition, WorkSafeBC used a variety of means to present its safety message to youth in graphic and arresting terms, through advertising and poster campaigns, the young-worker speaker program in B.C.'s high schools, and numerous other youth-based initiatives.

WorkSafeBC also launched several high-profile awareness campaigns focusing on the safety issues affecting a number of high-risk industries and at-risk demographics. Among these safety initiatives were a campaign to raise awareness about the new safeguards available for workers in service stations, a contest to promote construction safety, an expanded campaign to highlight safe driving through construction sites, an awareness campaign to prevent violence toward health care workers, and a back-safety campaign. As well, WorkSafeBC released several high-profile accident investigations and the lessons learned from those incidents, and marked the Day of Mourning, an annual campaign that honours workers who have lost their lives as a result of workplace injuries or occupational diseases. In addition, WorkSafeBC created new web portals in seven languages to better serve stakeholders whose first language is not English. These web portals contain wide-ranging information on workplace health and safety, claims, and assessments.

Looking ahead

WorkSafeBC has set a lower target level for its public contribution ratings in 2009 and 2010 than it achieved in 2008, but this new target is at a higher level than in previous years. In terms of gains to its public contribution rating, 2008 represented a watershed year. Nevertheless, these 2008 results will be challenging to sustain in 2009, owing to current economic pressures and the introduction of the Claims Management Solutions (CMS) initiative (see page 24). In past surveys, WorkSafeBC received higher public contribution ratings from those who were employed; if the proportion of employed to unemployed British Columbians decreases, there may be downward pressure on this measure.

In 2009, WorkSafeBC will continue to engage in powerful campaigns to capture the public's attention and strive to change attitudes and behaviours about workplace safety across all high-risk industries and at-risk demographics. Along with these campaigns, WorkSafeBC will launch initiatives aimed in particular at young workers and members of the construction sector. A campaign is also underway to raise public awareness about the dangers of asbestos exposure. In addition, WorkSafeBC will expand its efforts to reach out to ethnic communities. Throughout, WorkSafeBC will seek to renew its close working relationship with stakeholders and the general public to build a sense of shared ownership and responsibility for occupational health-and-safety and return-to-work initiatives.

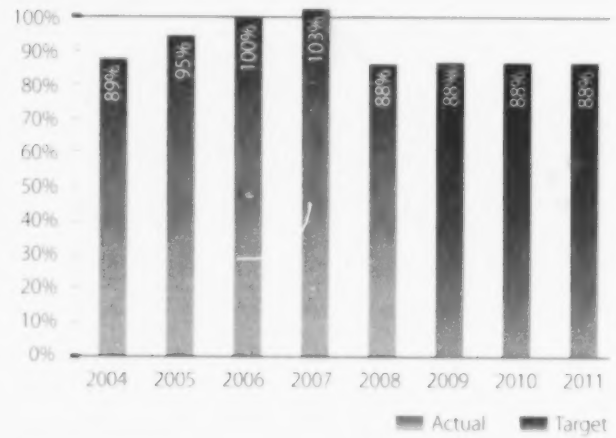
Through its public-safety messaging and ongoing service initiatives, WorkSafeBC will strive to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve 100 percent of the target asset level

Note: This performance indicator has been redefined for 2008. (For a comparison to the indicator used in 2007, see Appendix D, page 105.)

Percentage of target asset level achieved

This table shows the organization's historical progression toward its ultimate target of 100 percent and its projections to 2011.



Background

In 2008, following feedback from stakeholders regarding the complexity of the measure used in the 2007 annual report, the Board of Directors sought a new benchmark for assessing the financial strength of the Accident Fund. Their goal was to establish a benchmark that was easy to understand and consistent with the audited financial statements. At the same time, this benchmark would provide a measure of the fund's progress toward reaching its long-term targeted capital adequacy level. The following benchmark was chosen:

Actual assets ÷ Target assets

Actual assets are the total assets held by the organization, as shown on the balance sheet (see page 66).

The target asset level is calculated by adding the following three components:

- The total liabilities
- The various categories of reserves appropriated, as described in Note 11 of the financial statements (see page 84), excluding the Capital Adequacy Reserve
- The target level of the Capital Adequacy Reserve (see sidebar below)

Capital Adequacy Reserve

The financial stability and sustainability of the workers' compensation system is a priority. Rare but costly claim events or dramatic shifts in equity markets threaten to shift that priority. WorkSafeBC develops and maintains special reserves as a buffer against premium rate swings or benefit cuts that might result from these unusual occurrences. One such reserve is the Capital Adequacy Reserve (CAR).

WorkSafeBC determines the target level of the CAR using an approach comparable to the one that the federal Office of the Superintendent of Financial Institutions (OSFI) prescribes for private life and casualty insurers to determine their required capital levels. The OSFI approach determines capital requirement levels by considering an insurer's risk profile. This includes the risk inherent in its assets (e.g., equities require relatively more capital than bonds) and its liabilities (e.g., liability estimates that have greater uncertainty require relatively more capital). Since the risk profile changes over time, the target level of the CAR will also change. (See Appendix D, page 105 for more information.)

OSFI requires private insurers to maintain levels of at least 150 percent of the minimum capital requirement. In practice, most insurers maintain levels exceeding 200 percent. By resolution, WorkSafeBC's Board of Directors has set a target capital requirement of 160 percent of the minimum capital requirement level, using the OSFI methodology. In order to minimize the effect on employer premium rates, the Board of Directors has specified a gradual accumulation of this target capital requirement over several years.

Through its public-safety messaging and ongoing service initiatives, WorkSafeBC will strive to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8:

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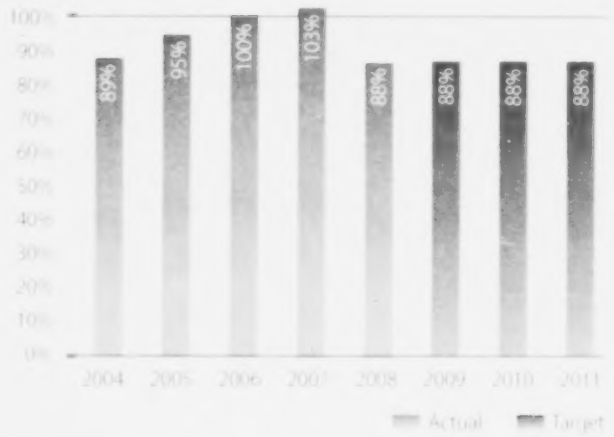

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Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities, and is responsible for ensuring the compensation system remains financially viable. A key means of achieving this goal is to target an asset level sufficient to fund all future expected payments for current claims, while considering risks to the assets and liabilities on hand. Despite not being subject to regulatory oversight in this area, WorkSafeBC and its Board of Directors believe it is in the best interest of stakeholders and the workers' compensation system to provide a level of security comparable to that of private insurers. The organization does this by targeting a sufficient level of capital reserves (and thus assets) in accordance with the OSFI approach described in the sidebar. This enhances the security of the fund and WorkSafeBC's ability to pay its liabilities, including future pensions, health care, and wage loss payments.

Strong capital reserves also serve the interests of employers by dampening the rate volatility that arises from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities. WorkSafeBC invests in a balanced portfolio (see page 56) that includes equity investments that are expected to result in higher long-term returns. These returns provide lower long-term net employer premiums, but are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long term in nature, changes might take place in environmental factors or policies, some of which could potentially result in major cost increases. When there is a significant downturn in equity values, as occurred in 2008, or when significant, unanticipated costs arise, WorkSafeBC can draw upon capital reserves to limit employer premium rate increases.

Setting targets

The long-term target for this performance measure is 100 percent of the target assets. Each year, WorkSafeBC develops targets for the next three years by projecting likely financial results, considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and the likely outcomes of current strategies. While 100 percent is the optimum target, values may rise above or fall below this long-term target level in any given year, particularly as equity markets rise and fall. Since the 100 percent target level includes substantial reserves, the current level of 88 percent is not expected to affect the viability of the system.[19]

Performance highlights

At 2008 year-end, WorkSafeBC's actual assets were 88 percent of the target value of assets required. A detailed calculation of this key objective/performance indicator is shown in the table below:

	As at Dec. 31, 2008 *($millions)*	As at Dec. 31, 2007 *($millions)*
Actual total assets	**$11,082**	**$12,568**
Target assets		
Liabilities	$9,594	$8,985
Target Capital Adequacy Reserve	2,445	2,655
Other reserves	540	540
Total target assets	**$12,579**	**$12,180**
Key objective/ performance indicator (= Actual assets/ Target assets)	**88%**	**103%**

Decisions made in earlier years regarding investment and reserve policies helped buffer WorkSafeBC from the full effect of declining markets in 2008. Substantial appropriations of operational surpluses in 2005 through 2007 established and increased the Capital Adequacy Reserve.[20]

Other indicators, such as the one used by the Association of Workers' Compensation Boards of Canada, are at times used to assess financial adequacy (see Appendix B, page 96). By this measure, according to the most recent data available, WorkSafeBC's financial position was the strongest among Canadian workers' compensation boards.

Major programs and strategies

In order to move toward an asset level of 100 percent of the target assets, WorkSafeBC strives to apply sound investment policies and practices, prudently manage the employer assessment process, and reduce claim costs by helping B.C. industries achieve lower injury rates and higher return-to-work rates.

WorkSafeBC maintains a conservative, diversified investment portfolio designed to provide solid investment returns without undue risk to the system. By applying this prudent approach,

WorkSafeBC provides reasonable assurance that, in the long term, investment returns will cover inflationary increases to benefit liabilities.[21] Although WorkSafeBC experienced investment losses of 8.2 percent[2] for 2008, these losses were significantly lower than those experienced by other institutional funds in Canada (see the discussion on page 13). Over the past five years, ending December 31, 2008, WorkSafeBC's portfolio of investments has produced an average rate of return of 6.1 percent, despite the significant loss experienced in 2008 (see the chart on page 57).

In addition to investment returns, the system relies on employer premiums as a key source of income. To ensure the timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments, and may initiate proceedings against these employers, resulting in administrative penalties or court-imposed sanctions.

Claim costs account for approximately 98 percent of all liabilities against the Accident Fund. The organization works in partnership with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see key objective/performance indicator #1, pages 27 to 29). And when these incidents do occur, WorkSafeBC endeavours to resolve the claims quickly, and safely return the injured workers to lasting employment — strategies that play a major role in reducing claim costs (see key objective/performance indicator #2, pages 30 to 31, and key objective/performance indicator #3, pages 31 to 32).

Looking ahead

This key objective/performance indicator is based on, among other factors, the market value of the organization's assets (the numerator of the benchmark ratio), including investments. Thus, a certain level of volatility is to be expected in the future as equity markets continue to rise and fall.

The financial stability and sustainability of the workers' compensation system is a key priority for the Board of Directors. Accordingly, WorkSafeBC sets assessment rates using smoothed investment accounting, rather than market value accounting. This approach dampens the volatility (in both market and metrics) referred to above (see Financial Context, page 12). According to WorkSafeBC policy, the organization will draw upon its Capital Adequacy Reserve as required to limit year-to-year assessment rate increases for employers.

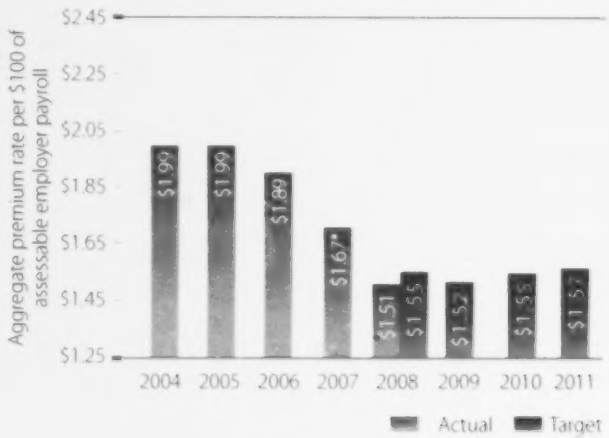
The targets for this key objective/performance indicator set through 2011 are ultimately intended to move the organization toward its 100 percent goal. However, given that investment returns are expected to show only modest recoveries from their currently depressed levels over the next few years, and the ongoing use of the current rate-setting methodology that dampens year-over-year rate increases, this key objective/performance indicator is expected to remain flat through 2011 and below its 100 percent target.

The key objective/performance indicator projections cited above were developed in the context of current accounting and actuarial standards, which stipulate that investments are stated on the balance sheet at market value, whereas liabilities are determined using long-term assumptions. However, new International Financial Reporting Standards (IFRS) for insurance liabilities are currently under development, and expected to be implemented for fiscal years beginning on or after January 1, 2012. These new standards could have a substantial impact on this indicator.

Key objective/performance indicator #9: Attain an aggregate premium rate between $1.25 and $2.25[22]

Aggregate premium rate

(Rates shown are final for 2004 to 2007 and estimated for 2008 to 2011)[23]



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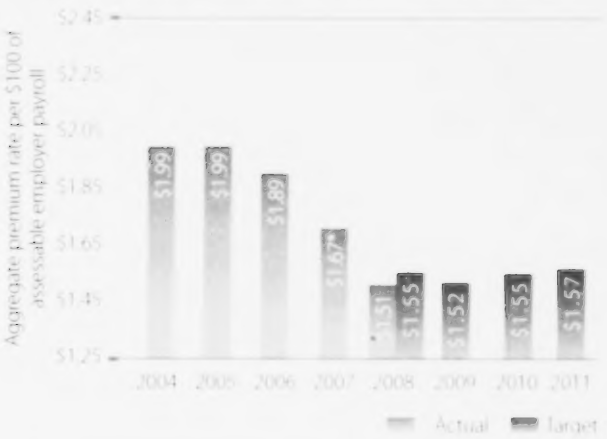


* The 2007 aggregate rate does not reflect the effects of the special $86-million surplus rebate distributed in 2007. The aggregate rate, including this surplus rebate, was $1.54 per $100 of assessable payroll.

Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease. Employers' premiums vary depending on the cost of claims in their industry's sector and the value of WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll. If the aggregate premium rate goes above $2.25, it can put excessive financial strain on employers; if the rate dips below $1.25, it can weaken the long-term financial sustainability of the system (based on the current environment).

Setting targets

Across Canada, 2008 premium rates averaged around $2 per $100 of assessable payroll and ranged from $1.32 to $2.94 per $100 of assessable payroll. This variation is attributed to the differing mix of industries and benefit levels, as well as the funding level and coverage rules in specific jurisdictions. WorkSafeBC's target range of $1.25 to $2.25 is considered optimal in the present environment, given the funding level range and premium levels in other jurisdictions. If the injury rate continues to fall, and injured workers are returned to work quickly, costs will drop — reducing pressure on premiums as well.

Performance highlights

The average premium rate collected from employers in 2008 declined 9.6 percent from the 2007 aggregate rate of $1.67 per $100 of assessable payroll. The reduction in the aggregate premium rate is consistent with the reduction in WorkSafeBC's 2008 published base rate of $1.56, down from $1.69 in 2007.

The aggregate premium rate of $1.51 remains among the lowest rates in Canada (see page 99 for more information.) Overall, approximately 84 percent of employers experienced either a reduction or no change in their base premium rates in 2008, while 16 percent experienced an increase.

Major programs and strategies

Claim costs are the primary driver of the aggregate premium rate. To reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety, reduce the incidence of workplace injury, illness, disease, and death, and, facilitate workers' safe and durable return to work as soon as possible following injuries.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting workers and employers on key health-and-safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and other groups, such as young workers.

The prevention of injury and illness is the first and best strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim costs is claim duration. WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs. (See key objective/ performance indicators #1, #2, and #3, beginning on page 27).

Looking ahead

In 2009, the estimated aggregate premium rate will increase by 0.7 percent, from $1.51 per $100 of assessable payroll to $1.52. This rate reflects trends in recent years toward relatively stable injury rates. In 2009, base premium rates will decline or remain unchanged for 41 percent of B.C.'s registered employers and increase for 59 percent of them. Rates are expected to rise gradually through 2011.

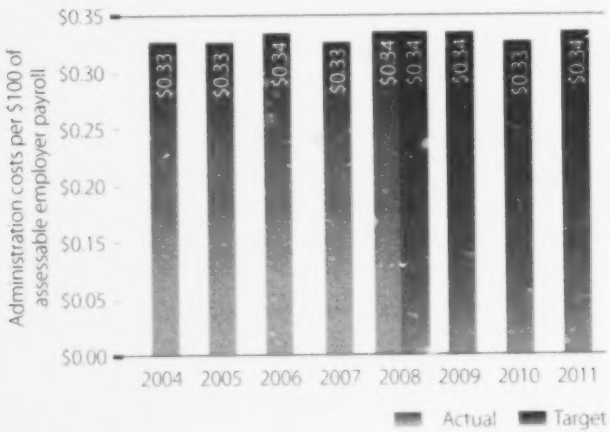
Further reductions will depend primarily on a lower injury rate, a shorter duration of claims, and/or a higher return-to-work rate for injured workers. Premium rate reduction may also result from favourable changes in external factors, such as the performance of financial markets or shifts in the general mix of workers and businesses participating in the B.C. economy.

WorkSafeBC currently expects relatively stable injury rates, a reduction in claim duration in the longer term (in part driven by improved claim management technology), and continuing low inflation. However, in view of the global financial crisis, future investment returns are expected to be relatively low compared to historical returns. To mitigate these and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other activities that either directly or indirectly influence premium rates. Taking all these factors into consideration, WorkSafeBC is forecasting an aggregate premium rate of $1.55 for 2010 and $1.57 for 2011.

To view supplementary information about WorkSafeBC's rate projections and final aggregate premium rates since 2003, visit WorkSafeBC.com.

Key objective/performance indicator #10: Control administration costs (per $100 of assessable payroll)

WorkSafeBC's administration costs[24] per $100 of assessable employer payroll



Importance

WorkSafeBC aims to provide value for stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its administrative efficiency is by calculating its annual administration costs per $100 of assessable employer payroll.

Other Canadian workers' compensation organizations also use administration costs as a key statistical measure (based on a common definition of administration costs, with adjustments to allow for operating and legislative differences. (See page 99 for comparative information.) By calculating its annual administration costs, WorkSafeBC can compare and monitor the overall cost of administering the B.C. workers' compensation system.

Setting targets

In setting targets for its administrative cost ratio, WorkSafeBC balances the need to remain cost-effective and maintain high service levels for workers and employers. Both internal and external factors affect WorkSafeBC's performance and decision making in this area.

For example, a decrease in the number of WorkSafeBC employees who perform claim-related work could lower the organization's administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, and, ultimately, increase claim costs.

Similarly, a decline in B.C.'s economic activity could cause a decrease in the total assessable payroll for the province, and thus increase the organization's administration costs per $100 of payroll, while a rapid increase in economic growth could have the opposite effect.

Given these variables, WorkSafeBC sets targets based on its best estimates of the organization's overall capacity relative to B.C.'s expected economic growth. Since all workers' compensation organizations face similar administrative and financial challenges, this measure is designed to track WorkSafeBC's performance relative to that of other workers' compensation systems in Canada.

Performance highlights

WorkSafeBC's administration cost ratio has been relatively stable in recent years. That trend continued in 2008, when the administration cost ratio increased slightly, from $0.33 per $100 of assessable payroll in 2007 to $0.34.

WorkSafeBC administration costs increased by $20.2 million, and the province's assessable payroll rose by $2.6 billion, keeping this key objective/performance indicator on target for the year.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including the following key control procedures:

- Monthly reviews and analyses of administration costs, including explanations of significant variances from plan by each division's financial manager with the Chief Financial Officer (CFO) and Corporate Controller
- Monthly reporting of administration costs and variances to the President and Chief Executive Officer (CEO), and Senior Executive Committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews by each division's Vice-President and Executive Director(s) with the President and CEO, CFO, and Corporate Controller

In 2008, WorkSafeBC engaged in a number of initiatives to improve customer service and streamline its business processes. These initiatives included the continued development of Claims

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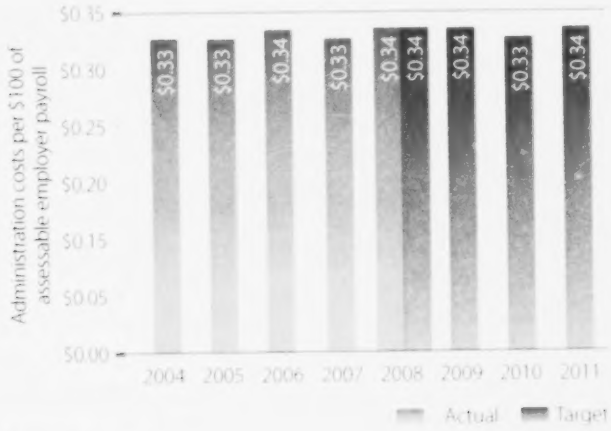

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Management Solutions (CMS), along with the restructuring of associated business processes (see page 24), and various business improvement projects using six sigma methodology.

Looking ahead

Given the projected implementation expenses associated with CMS, and the economic downturn affecting the provincial economy, WorkSafeBC has modified its administrative cost targets for 2009 and 2010 from those published in the 2007 annual report. The 2009 target has been adjusted upward by $0.02, while the 2010 target has been adjusted upward by $0.01 per $100 of assessable payroll.

WorkSafeBC's Board of Directors has approved a $15.6-million (or 4.2 percent) increase to the organization's 2009 operating budget. The increase is necessary to cover non-discretionary costs (e.g., WorkSafeBC's negotiated salary and benefit commitments); one-time CMS implementation costs; service improvements; new strategic initiatives, such as a multimedia production of Lessons Learned to educate workers, employers, and stakeholders; and, a one-year extension of a campaign to increase employers' compliance with their registration requirements with WorkSafeBC, made possible through a partnership with the Canada Revenue Agency.

The province's 2009 assessable payroll is now expected to increase by $2.2 billion (as compared to an estimate of $3.9 billion when the 2009 target was published in 2007), and WorkSafeBC's 2009 administration costs are expected to remain at $0.34 per $100 of assessable payroll.

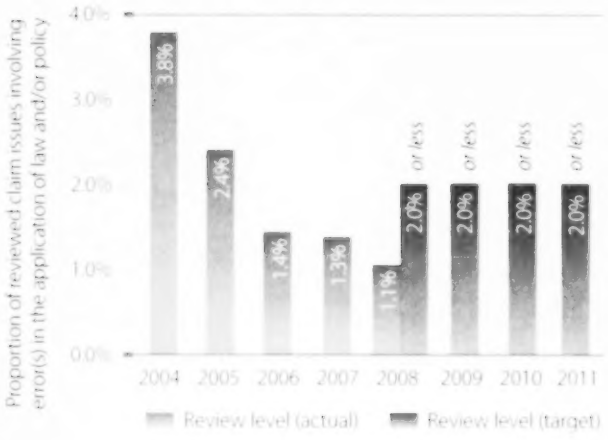
In 2009, WorkSafeBC will roll out CMS, which, among its many benefits, aims to increase administrative efficiencies and lower WorkSafeBC's operating costs in future years. Over time, CMS is expected to enhance the organization's capacity to manage rising claim volumes. The organization's performance targets for 2010 and beyond have been set with these efficiencies in mind.

WorkSafeBC will continue to monitor and evaluate the balance between maintaining its administration costs and ensuring a high quality of service, while preparing to adjust that balance to best meet the needs of stakeholders.

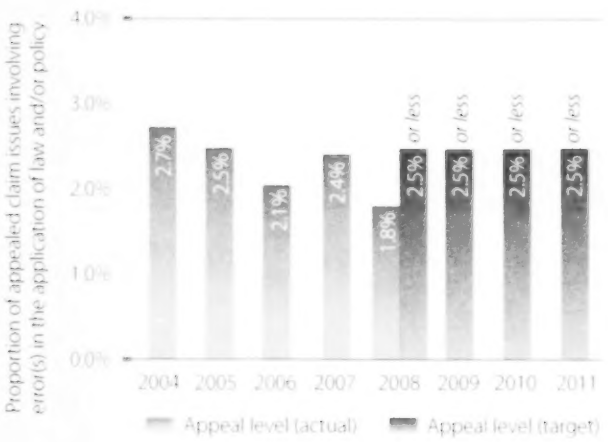
Key objective/performance indicator #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — WCAT (external)



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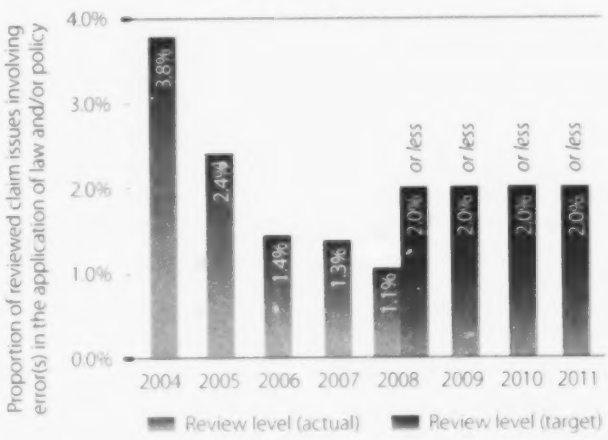

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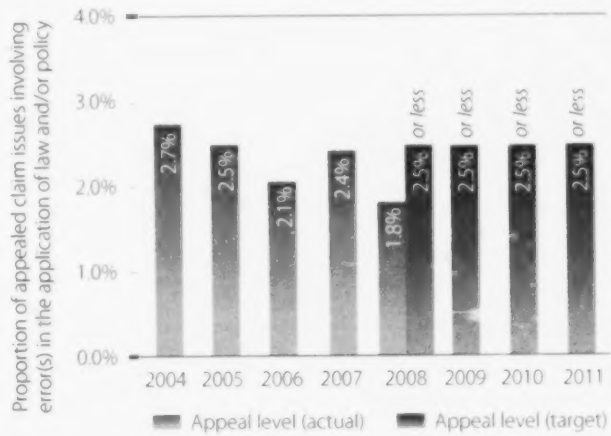


Importance

Every working day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters in B.C. workplaces. Their underlying goal is to arrive at the right decision by weighing evidence in a consistent manner and ensuring compliance with applicable law and policy. However, in the absence of a law or policy to cover every conceivable situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

In the vast majority of cases, these decisions earn the acceptance of everyone involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. In the latter instance, two levels of appeal are available for most WorkSafeBC decisions. The first level of appeal involves an internal review by WorkSafeBC's Review Division to ensure appropriate decisions have been applied to issues in dispute. The second level of appeal concerns the Workers' Compensation Appeal Tribunal (WCAT), a final, external source of appeal for WorkSafeBC matters that the tribunal is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings are an indicator of the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

Upon review or appeal of WorkSafeBC issues, the Review Division or WCAT may reach a decision that is different from the original decision, based on the receipt of new information or the reweighing of existing information. These findings are part of the normal inquiry process, rather than a reflection of erroneous decision making. WorkSafeBC also tracks the rate of error in the application of law and/or policy — the most objective and readily available measure of quality decision making.

Ideally, the organization would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with maintaining adequate staffing levels, handling a high volume of claims or increasingly complex claims, providing ongoing training, meeting deadlines, and ensuring precision and accuracy in claim-coding judgments, all act as barriers to meeting the ideal objective of a zero error rate.

In light of these practical limitations, WorkSafeBC has established this measure as an indicator of quality decision making. The Board of Directors has set the practical target error rate at 2 percent or less for primary WorkSafeBC decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets, reviewed annually by the Board of Directors, have been extended to 2011.

Performance highlights

In 2008, the Review Division reviewed a total of 13,515 issues, relating to 10,363 WorkSafeBC decisions. Of those issues, 150 (1.1 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy — which was better than the target for the year. WCAT ruled on 5,517 issues relating to 3,990 completed appeals of Review Division decisions. Of those issues, 102 (1.8 percent) led to overturned decisions due to a perceived error in the application of legislation or policy.

To put these results in context: the Review Division upheld 69 percent of the issues it reviewed; 18 percent were allowed or allowed in part; and, 13 percent were returned to WorkSafeBC (back to the initial decision making division for further determination).

Out of the appeals WCAT completed in 2008, 65 percent were upheld and 35 percent were allowed or allowed in part.

The tables on page 46 provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2008.

Review Division — Outcomes of top five issue groups reviewed in 2008
(represents 65 percent of all issues and does not include issues returned for further consideration during 2008)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,812	7	12	338	252
Entitlement to a permanent partial disability award	1,322	2	20	201	51
Acceptance of a claim for an occupational disease	951	2	1	43	45
Entitlement to compensation for a temporary total disability	608	1	13	141	70
Entitlement to compensation for a temporary partial disability	564	3	1	127	63

**Issue groups have been stated in plain language.*

WCAT — Outcomes of top five issue groups appealed in 2008
(represents 73 percent of all issues heard by WCAT in 2008)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	1,086	12	6	68	437
Entitlement to a permanent partial disability award	672	4	14	86	376
Acceptance of a claim for an occupational disease	386	3	2	29	165
Entitlement to compensation for a temporary total disability	260	2	4	9	89
Entitlement to compensation for a temporary partial disability	217	2	1	22	109

**Issue groups have been stated in plain language.*

Major programs and strategies

To ensure that decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and documenting.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC, review ongoing issues regarding the quality of decision making and develop recommendations for change. To complement this strategy, WorkSafeBC maintains working-level teams that widely represent the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

WorkSafeBC's Review Division continued its Quality Decision Review program through 2008. The program addresses the quality of the division's decision making process, including the division's correct application of law and policy. Without encroaching on the independence of its decision makers, review officers examine each other's draft decisions and provide constructive feedback before final decisions are released. Similarly, team managers and a quality assurance group review selected decisions, either before or after they are issued.

The Review Division's quality assurance group also conducts in-depth, post-decision reviews of decision making in selected subject areas. In 2008, the group continued to review decisions on disability awards and activity-related soft-tissue disorders, as well as Review Division decisions with the outcome of "return to WorkSafeBC." Each of these reviews identified opportunities for improved decision making — opportunities that either prompted further review or ultimately led to change in the organization's approach to particular decisions.

Looking ahead

For decisions being reviewed at the Review Division level, WorkSafeBC is aiming to keep a rate of 2.0 percent or less for decisions overturned based on errors in the application of legislation and/or policy. For Review Division decisions being appealed at the WCAT level, the targeted rate is 2.5 percent or less. Although these targets are less favourable than the results achieved in 2008, they are considered nearly optimal if current trends continue as expected (see Setting annual targets, page 23).

New technology and a growing number of staff retirements will put increased pressure on decision makers, potentially introducing additional errors in the application of law and policy or in the coding of errors. Ongoing training and quality-enhancing initiatives should mitigate this risk. WorkSafeBC will continue to monitor claim and review volumes and adjust its resources where such measures are deemed necessary.

We speak your language

WorkSafeBC is reaching out to more communities and expanding B.C. workers' and employers' access to important health and safety information. In 2008, we added pages in seven languages to our web site, WorkSafeBC.com. Each page includes a WorkSafeBC employee's video welcome in the visitor's own language and links to health and safety resources translated in that language. Visitors to the Cantonese page receive a greeting from Jennifer, a WorkSafeBC client services representative shown here. WorkSafeBC.com now welcomes visitors in Cantonese and Mandarin (with publications in simplified and traditional Chinese), French, Korean, Punjabi, Spanish, and Vietnamese.

Our Finances

Management Discussion and Analysis

This section reports on WorkSafeBC's consolidated results and financial position for the year ended December 31, 2008. It should be read in conjunction with the consolidated financial statements and accompanying notes. This annual report and service plan contains forward-looking information, including assertions regarding the anticipated performance of WorkSafeBC. These assertions are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking information.

This document and *WorkSafeBC 2008 Statistics* report are both available online at www.worksafebc.com/publications/reports/annual_reports. Supplementary information regarding WorkSafeBC's operating results from an underwriting perspective, including a gain and loss analysis and a statement of changes in rate group balances, is also available online.

2008 and 2007 highlights

	2008	2007*	Change
Financial highlights ($ millions)			
Portfolio investments	10,400	11,887	(1,487)
Benefit liabilities	9,348	8,752	596
Unappropriated balance	1,012	1,622	(610)
Accumulated other comprehensive income (loss)	(933)	531	(1,464)
Reserves	1,409	1,430	(21)
Premium income	1,141	1,082	59
Investment income	245	1,136	(891)
Claim costs	1,364**	1,153**	211
Cost of the change in discount rate used to calculate benefit liabilities	487	—	487
Operating costs	167	160	7
Unrealized investment gains (losses) — other comprehensive income (loss)	(1,463)	(621)	(842)
Total comprehensive income (loss)	(2,095)	283	(2,378)
Operational highlights			
Percentage of target asset level achieved	88%	103%	(15%)
Aggregate premium rate	$1.51	$1.54***	($0.03)
Number of insured employers	201,000	197,190	3,810
Number of workers covered	2.3 million	2.1 million	0.1 million
Injury rate	2.96	3.06	(0.10)
Number of claims accepted	128,442	135,453	(7,011)

* Certain 2007 financial figures have been restated (see Note 3 — Prior period adjustment, page 72).

** The 2008 claim costs exclude non-recurring costs ($487 million). The 2007 claim costs include non-recurring costs ($37 million).

*** The 2007 aggregate premium rate includes an $86 million surplus rebate. Excluding this rebate, the aggregate premium rate was $1.51.

Overview of 2008 financial results

This year became two stories for WorkSafeBC. One story was about the lowering of the provincial injury rate and the results achieved in other key objective/performance indicators (see Performance Targets and Results, beginning on page 27). The other story was one of loss, resulting from the organization's participation in one of the worst financial markets in 100 years. On a fair value basis, WorkSafeBC recorded a loss of $2.1 billion for the year, comprising mostly the losses recorded in other comprehensive loss ($1.46 billion). These losses can be attributed to the decline in the market value of investments held in WorkSafeBC's Accident Fund. As well, in May 2008, the WorkSafeBC Board of Directors approved a lowering of the discount rate upon which the benefit liabilities are based, from 3.5 percent to 3.0 percent, resulting in a further $487-million loss. Claim costs increased over 2007 (from $1.2 billion to $1.4 billion, excluding the discount rate change) and operating costs remained at about the same level as in 2007.

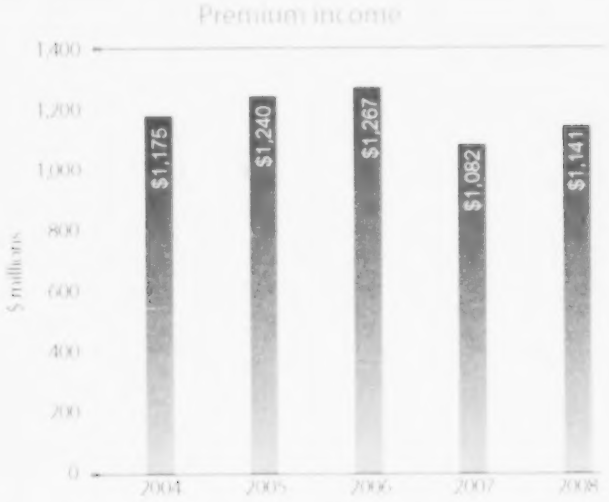
The establishment of the Capital Adequacy Reserve in 2007 helped cushion the organization's reduced investment income in 2008. In fact, in 2008, WorkSafeBC withdrew from its reserve rather than adding to it (see Capital Adequacy Reserve, page 39). The reserve began in 2008 with a balance of $890 million, and $21 million was withdrawn, to end the year at $869 million. The build-up of surpluses over the last five years has provided the opportunity for WorkSafeBC to protect employers and workers from the negative effects of the 2008 stock market crash. If markets do not recover quickly, the reserve will be used again in 2009 to buffer any large increases in future average premium rates.

Revenues

Revenues comprise two streams: premium income and investment income. For 2008, the distribution by source was 82 percent premium income and 18 percent investment income compared to a 50/50 ratio in 2007.

Premium income

In 2008, premium income increased to $1.1 billion — a $59-million increase over 2007. While the premium rate in 2008 was lower than 2007, the assessable payroll for the province increased by $2.6 billion (or 3.8 percent) to more than offset the rate decrease.



Premium income comprises mostly assessments received from rateable employers, and, to a much lesser extent, from self-insured employers. Rateable premium income is derived primarily from total assessable payrolls, multiplied by the rate appropriate for each employer. In 2008, the aggregate premium rate of $1.51 per $100 of assessable payroll was the lowest rate in more than 30 years. In general, the rate has been coming down each year since 2005 and has dropped $0.48 (24 percent) during that period. This drop can be attributed primarily to a downward trend in overall claim costs from 2001 to 2007, robust investment returns from 2003 to 2006, and an increasing assessable payroll base for the province through 2008.

Premiums for self-insured employers were $37 million higher in 2008, mainly due to higher claim costs for these employers. The higher claim costs were mostly caused by the lowering of the discount rate (discussed in the claim costs section on page 54) which is used to calculate benefit liabilities.

Premium income reported in the consolidated financial statements is partially based on an estimate. The final premium amount for the 2008 assessment year will not be fully known until May 2009, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines of the annual report, WorkSafeBC estimated the value of premium income based on financial data from January 2009. Given the uncertainty associated with this estimate, the organization has tended toward a more conservative approach. In 2007, the difference between the underestimated value of premium income and the final amount was 0.9 percent, and in 2006, it was 0.8 percent. Any difference between the final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.

Premium income

Rateable employers	1,085	1,063	22
Self-insured employers	56	19	37
Total	**1,141**	**1,082**	**59**
Base premium rate	$1.56	$1.69	($0.13)
Aggregate premium rate	$1.51	$1.54*	($0.03)
Assessable payroll ($ billions)	$71.01	$68.42	$2.59

*The 2007 aggregate premium rate includes an $86-million surplus rebate. Excluding this rebate, the aggregate premium rate was $1.67.

Investment income

Investment income of $245 million in 2008 was $891 million lower than in 2007. Investment income relates to transactions that occurred during the year, including interest and dividends received and realized gains or losses on sales.

Investment income

Prior period figures have been restated (see Note 3 — Prior period adjustment, page 73).

Tactical trading actions within the pool funds managed by WorkSafeBC's portfolio manager, BC Investment Management Corporation (bcIMC), resulted in realized gains and losses. In order to maximize the returns for the Accident Fund, WorkSafeBC's Investment Committee made strategic asset allocation decisions that also resulted in the sale and purchase of investments. Because of the negative and deteriorating investment climate through 2008, the Investment Committee positioned the investment portfolio more defensively, and the related asset movements generated realized gains and losses.

If the Accident Fund held an investment and did not sell it during 2008, then any gains or losses on that investment would not be reflected in investment income, except for investments classified as held-for-trading. Instead, these unrealized investment gains or losses would be reflected in other comprehensive income or loss (see the sidebar above). For the total market value investment income or loss, net unrealized market value gains or losses from available-for-sale investments (or other comprehensive income or loss) should be added to investment income, as shown in the chart on page 54. The other comprehensive loss was $1.46 billion in 2008, for a total market value investment loss of $1.2 billion. See the portfolio investments section (beginning on page 56) for the discussion on total market value investment losses in 2008.

Other comprehensive income or loss

The other comprehensive income or loss line item in the Statement of Operations appears below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains or losses represent market valuations of portfolio investments at the balance sheet date. These gains or losses are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations extending into the distant future, the valuation of the investments provides a snapshot of the financial position of WorkSafeBC at a single point in time. Short-term changes in financial markets can produce significant variations in this line item from year to year, as seen in 2008. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities. The chart on page 54 combines investment income with other comprehensive income or loss.

Investment income

Interest and dividends	385	368	17
Realized net gains (losses) on sales	(140)	787	(927)
Market value gains (losses) on held-for-trading investments	—	(19)	19
Total	**245**	**1,136**	**(891)**

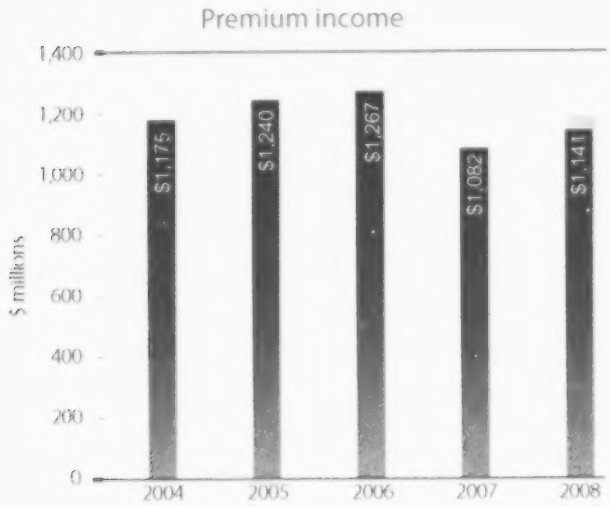
* Certain 2007 financial figures have been restated (see Note 3 — Prior period adjustment, page 73).

Revenues

Revenues comprise two streams: premium income and investment income. For 2008, the distribution by source was 82 percent premium income and 18 percent investment income (compared to a 50/50 ratio in 2007).

Premium income

In 2008, premium income increased to $1.1 billion — a $59-million increase over 2007. While the premium rate in 2008 was lower than 2007, the assessable payroll for the province increased by $2.6 billion (or 3.8 percent) to more than offset the rate decrease.



Premium income comprises mostly assessments received from rateable employers, and, to a much lesser extent, from self-insured employers. Rateable premium income is derived primarily from total assessable payrolls, multiplied by the rate appropriate for each employer. In 2008, the aggregate premium rate of $1.51 per $100 of assessable payroll was the lowest rate in more than 30 years. In general, the rate has been coming down each year since 2005 and has dropped $0.48 (24 percent) during that period. This drop can be attributed primarily to a downward trend in overall claim costs from 2001 to 2007, robust investment returns from 2003 to 2006, and an increasing assessable payroll base for the province through 2008.

Premiums for self-insured employers were $37 million higher in 2008, mainly due to higher claim costs for these employers. The higher claim costs were mostly caused by the lowering of the discount rate (discussed in the claim costs section on page 54), which is used to calculate benefit liabilities.

Premium income reported in the consolidated financial statements is partially based on an estimate. The final premium amount for the 2008 assessment year will not be fully known until May 2009, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines of the annual report, WorkSafeBC estimated the value of premium income based on financial data from January 2009. Given the uncertainty associated with this estimate, the organization has tended toward a more conservative approach. In 2007, the difference between the underestimated value of premium income and the final amount was 0.9 percent, and in 2006, it was 0.8 percent. Any difference between the final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.

Premium income

(millions)	2008	2007	Change
Rateable employers	1,085	1,063	22
Self-insured employers	56	19	37
Total	**1,141**	**1,082**	**59**
Base premium rate	$1.56	$1.69	($0.13)
Aggregate premium rate	$1.51	$1.54*	($0.03)
Assessable payroll ($ billions)	$71.01	$68.42	$2.59

*The 2007 aggregate premium rate includes an $86-million surplus rebate. Excluding this rebate, the aggregate premium rate was $1.67.

Investment income

Investment income of $245 million in 2008 was $891 million lower than in 2007. Investment income relates to transactions that occurred during the year, including interest and dividends received and realized gains or losses on sales.

Prior-period figures have been restated (see Note 3 — Prior period adjustment, page 73).

Tactical trading actions within the pool funds managed by WorkSafeBC's portfolio manager, B.C. Investment Management Corporation (bcIMC), resulted in realized gains and losses. In order to maximize the returns for the Accident Fund, WorkSafeBC's Investment Committee made strategic asset allocation decisions that also resulted in the sale and purchase of investments. Because of the negative and deteriorating investment climate through 2008, the Investment Committee positioned the investment portfolio more defensively and the related asset movements generated realized gains and losses.

If the Accident Fund held an investment and did not sell it during 2008, then any gains or losses on that investment would not be reflected in investment income, except for investments classified as held-for-trading. Instead, these unrealized investment gains or losses would be reflected in other comprehensive income or loss (see the sidebar above). For the total market value investment income or loss, net unrealized market value gains or losses from available-for-sale investments (or other comprehensive income or loss) should be added to investment income, as shown in the chart on page 54. The other comprehensive loss was $1.46 billion in 2008, for a total market value investment loss of $1.2 billion. See the portfolio investments section (beginning on page 56) for the discussion on total market value investment losses in 2008.

Other comprehensive income or loss

The other comprehensive income or loss line item in the Statement of Operations appears below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains or losses represent market valuations of portfolio investments at the balance sheet date. These gains or losses are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations extending into the distant future, the valuation of the investments provides a snapshot of the financial position of WorkSafeBC at a single point in time. Short-term changes in financial markets can produce significant variations in this line item from year to year, as seen in 2008. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities. The chart on page 54 combines investment income with other comprehensive income or loss.

Investment income

$ millions	2008	2007*	Change
Interest and dividends	385	368	17
Realized net gains (losses) on sales	(140)	787	(927)
Market value gains (losses) on held-for-trading investments	—	(19)	19
Total	**245**	**1,136**	**(891)**

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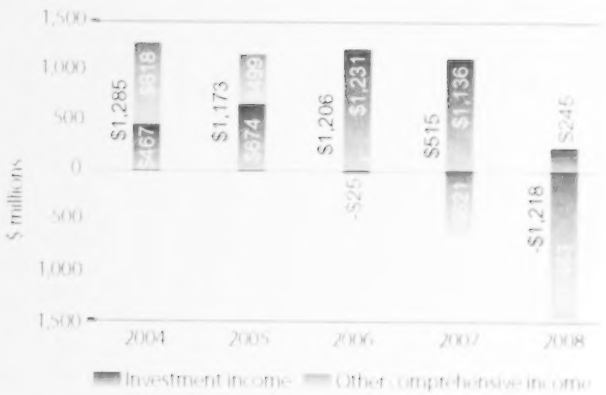
Total investment income and other comprehensive income



Prior-period figures have been restated (see Note 3 — Prior period adjustment, page 73).

Expenses

Claim costs

Claim costs

Claim costs comprise benefit payments and the change in actuarial valuation of benefits. Benefit payments were $1.3 billion in 2008, an increase of $90 million from 2007. These were the cash payments WorkSafeBC made in 2008 to workers, their survivors or employers, and rehabilitation and health care providers. The breakdown of these payments is as noted in the table below.

Benefit payments

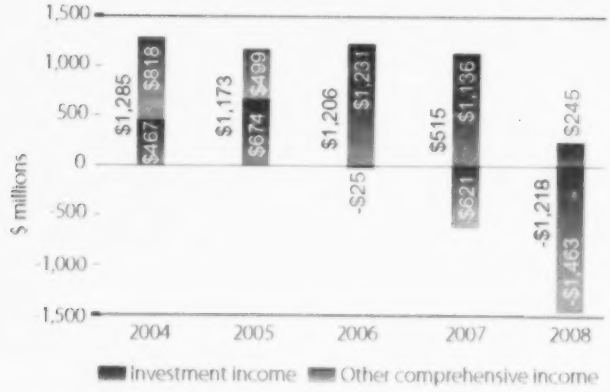
Short-term disability (STD) payments have increased over 2007 primarily owing to an increase in the average length of time a worker is paid while on a claim. This pay period is termed the claim's duration, a key objective/performance indicator discussed in the Performance Targets and Results section (see key objective/performance indicator #2, on page 30). In 2008, duration increased by 3.9 percent to 48.1 days. The total days paid for STDs in 2008 was 2.9 million days at an average daily rate of $95.19, a 3.7 percent increase in the wage rate of the average worker receiving compensation. The combination of these factors, offset by the reduction in injuries reported during 2008, explain the 7.7 percent increase in STD payments for the year.

Long-term disability (LTD) payments are the largest set of payments the organization makes on an annual basis. The increase in these payments in 2008 was due to an increase in the number of awards and the indexation of existing awards.

Claim costs

Benefit payments			
Short-term disability	279	259	20
Long-term disability	371	357	14
Survivor benefits	63	62	1
Health care	267	241	26
Vocational rehabilitation	57	53	4
Claim administration	218	193	25
	1,255	**1,165**	**90**
Change in actuarial valuation of benefit liabilities	109	148	157
Non-recurring expenses	487	56	451
Total	**1,851**	**1,153**	**698**

Total investment income and other comprehensive income



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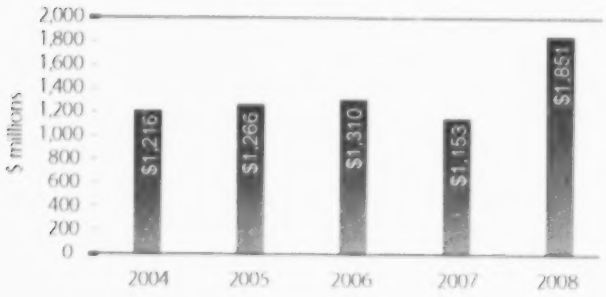
Expenses

Claim costs



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Survivor benefits	63	62	1
Health care	267	241	26
Vocational rehabilitation	57	53	4
Claim administration	218	193	25
	1,255	**1,165**	**90**
Change in actuarial valuation of benefit liabilities	109	(48)	157
Non-recurring expenses	487	36	451
Total	**1,851**	**1,153**	**698**

Survivor benefit payments have been relatively stable for the past five years. As was the case for LTD payments, the increase in survivor benefit payments in 2008 reflects both the increase in number of awards and indexation.

In 2008, health care payments increased by 10.8 percent over 2007. This increase can be attributed primarily to higher health care treatment costs, including increased costs for pharmaceuticals, medical supplies, hospital procedures, and other physical and psychological rehabilitation services. In 2008, there was an increase over 2007 in both the number and average cost of health care services.

While health care costs continue to escalate in all segments of society, health care costs associated with workers' compensation tend to rise less significantly, chiefly because most health care expenditures take place in the first and last five years of an average person's life and are generally not work-related. Nonetheless, with decreasing mortality rates (people are living longer), health care costs for workers on long-term disability have become an increasing percentage of overall health care costs, a trend likely to continue. Management expects that, in the long term, health care costs will become the largest of the five benefit types.

In 2008, vocational rehabilitation benefit payments increased for the second consecutive year. These expenditures reflect a longer wage-replacement period for workers that received vocational rehabilitation benefits and an increase in an average worker's daily rate, as previously mentioned.

Claim administration payments are discussed in the operating costs section, at right.

Changes in actuarial valuations

The changes in actuarial valuations of benefit liabilities totalled $109 million for 2008, excluding non-recurring costs. These changes account for a net increase in claim costs of $157 million over 2007. The actuarial valuation changes are based on the recent payment history of the various types of benefits, including payments on claims as much as 50 years old, and then using trend data and price indices to estimate future potential liabilities.

A fundamental part of the actuarial equation is the net discount rate used to assess these liabilities (the difference between the assumed future investment return and future inflation rate). In 2008, the Board of Directors approved lowering that rate from 3.5 percent to 3.0 percent, resulting in additional non-recurring claim costs of $487 million. This rate change was made to reflect more conservative assumptions about the Accident Fund's future investment performance.

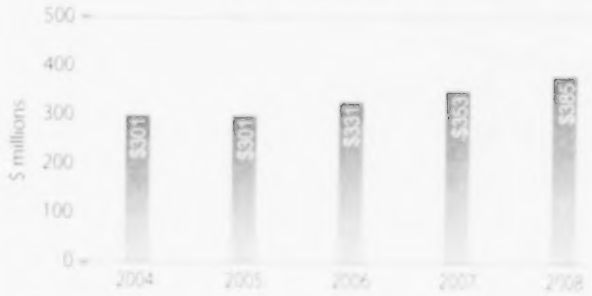
As a result of this change in the discount rate, WorkSafeBC was required to increase its target asset requirement level (see key objective/performance indicator #8, on page 39). Changes in actuarial valuation are non-cash in nature, because they do not get paid out on claims in the current year. They are strictly a reflection of the expected future costs of claims.

Operating costs

In 2008, operating costs were $32 million higher than in 2007. These results were consistent with expectations for 2008, and were necessary to maintain the requisite services for the administration of claims, the organization's continued focus on lowering the provincial injury rate, and the associated infrastructure costs.

Operating costs

($ millions)	2008	2007	Change
Administration expenses	370	339	31
Injury-reduction initiatives	15	14	1
	385	**353**	**32**
Less: Claim administration payments	218	193	25
Total	**167**	**160**	**7**



In 2008, WorkSafeBC experienced increases in salaries and employee benefits of $11 million over 2007 as expected. That same year, WorkSafeBC reviewed the capital asset records for required updates due to early adoption of Section 3064 (goodwill and intangible assets) of the *Canadian Institute of Chartered Accountants' (CICA) Handbook*, and to prepare for conversion to International Financial Reporting Standards in 2011. This resulted in accelerated amortization of $9 million in that area. Other significant cost increases included consulting fees for projects, advertising expenses for safety campaigns, higher software maintenance and technical support expenditures, and increased expenses for retirees' medical benefits.

The expenses for injury reduction initiatives consist primarily of funding WorkSafeBC provides to various industry associations to administer specialized occupational health and safety programs. The industry association programs are funded through special levies or charges against specific classification units.

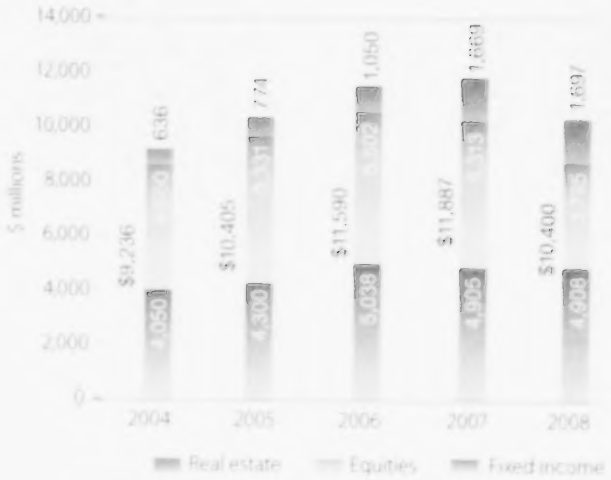
Claim administration payments relate to the portion of operating costs incurred to adjudicate claims for compensation, to manage claims, and to process claim payments. These payments are deducted from the total operating costs to prevent "double counting" because they are already included in a claim cost in the standardized financial statement presentation used by workers' compensation organizations in Canada.

Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are its portfolio investments and benefit liabilities.

Portfolio investments

The chart in the right-hand column shows the grouping of various types of investments by asset allocation categories. Overall, the portfolio decreased during 2008, from $11.9 to $10.4 billion. Most of these losses represent market value reductions occurring between September 1 and the end of the year, and reflect the major downturn in global equity markets and the rapid slowdown in economic growth. The net unrealized market value losses from available-for-sale portfolio investments reported in the Statement of Operations as other comprehensive loss) were $1.46 billion in 2008, and the accumulated other comprehensive loss to the end of 2008 was $933 million.



Prior-period figures have been restated (see Note 3 — Prior period adjustment, page 73).

During the year, WorkSafeBC employed various strategies and tactics to make its investment portfolio as defensive as possible within the parameters of the organization's already conservative long-term investment approach. The cash position was stored at 4 percent by the end of 2008. Fixed income holdings were increased to 46 percent of the portfolio by the end of 2008, and equities were reduced drastically, mostly because of the decline in valuation of stock prices. At year-end, the portion of publicly traded equity was actually below the range authorized by WorkSafeBC's investment policy. The underweight equity position reflected a conscious decision to leave assets in low-risk fixed income securities to avoid further unrealized losses associated with the decline in equity prices.

Toward the end of 2008, the Investment Committee stopped re-balancing the portfolio to the asset allocation ranges required by policy (see the Investment performance risks section on page 41), because of the unprecedented nature of the changes in financial markets. The Committee also gradually increased the allocation to non-liquid assets, such as real estate

In 2008, WorkSafeBC experienced increases in salaries and employee benefits of $13 million over 2007, as expected. That same year, WorkSafeBC reviewed the capital asset records for required updates due to early adoption of Section 3064 (goodwill and intangible assets) of the *Canadian Institute of Chartered Accountants'* (CICA) *Handbook*, and to prepare for conversion to International Financial Reporting Standards in 2011. This resulted in accelerated amortization of $9 million in that area. Other significant cost increases included consulting fees for projects, advertising expenses for safety campaigns, higher software maintenance and technical support expenditures, and increased expenses for retirees' medical benefits.

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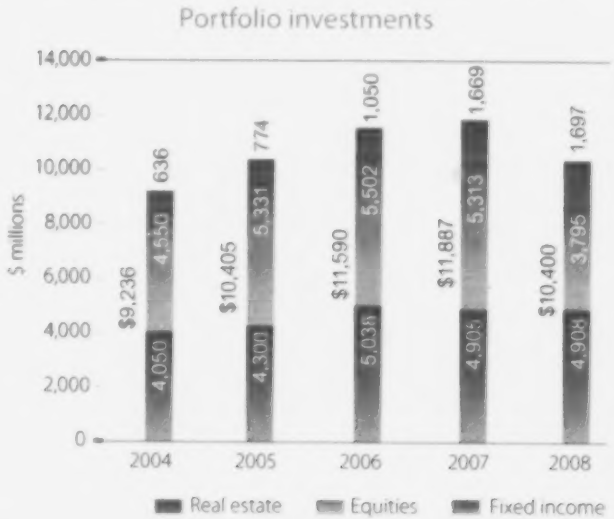

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During the year, WorkSafeBC employed various strategies and tactics to make its investment portfolio as defensive as possible, within the parameters of the organization's already conservative, long-term investment approach. The cash position[1] was strong, at 4 percent by the end of 2008. Fixed income holdings were increased to 46 percent of the portfolio by the end of 2008, and equities were reduced drastically, mostly because of the decline in valuation of stock prices. At year-end, the portion of public equity was actually below the range authorized by WorkSafeBC's investment policy. The underweight equity position reflected a conscious decision to leave assets in low-risk fixed income securities to avoid further unrealized losses associated with the decline in equity prices.

Toward the end of 2008, the Investment Committee stopped re-balancing the portfolio to the asset allocation ranges required by policy (see the Investment performance risks section on page 61), because of the unprecedented nature of the changes in financial markets. The committee also gradually increased the allocation to non-liquid assets, such as real estate

and private placements, as a way to continue its diversification of the portfolio beyond fixed income and equity investments. These asset allocations were considered necessary in the current environment, and will be adjusted when markets improve.

It is important to note that the Accident Fund did not invest directly in any non-bank-sponsored asset-backed commercial paper, nor did it invest directly in any complex mortgage-backed securities, which were the source of major financial woes in the United States. However, because WorkSafeBC's portfolio of investments remains invested largely in Canadian markets, these assets have experienced the effects of a decline in commodity prices and a weakened auto sector.

While no investment is risk-free, WorkSafeBC's investments, with the exception of cash, are held for the long term in securities related to companies with solid sustainable businesses, and in countries with established economies. The portfolio investments have grown significantly over time, from $8.5 billion at the beginning of 2004 to $10.4 billion at the end of 2008, despite the effect of the capital markets and economic downturn. WorkSafeBC management anticipates that the market price decline in long-term investments will recover, although these improvements might take some time. In spite of the market turmoil during 2008, the Accident Fund remained in an overall surplus position.

In terms of investment performance, the portfolio's 2008 market return was a loss of 8.2 percent,[1] compared to a gain of 4.4 percent in 2007. The 2008 market return was unable to meet WorkSafeBC's minimum return requirement[2] of 4.4 percent. However, annual variations in the market return should be viewed in light of longer term results, shown in the chart below.

Market return vs. required return

WorkSafeBC has significantly increased its funded position since the beginning of 2004, even after the events of 2008. Over the past five years, the actual amount that assets exceed liabilities has grown from $600 million to $1.5 billion. The use of the surplus positions to fund a Capital Adequacy Reserve has helped to keep WorkSafeBC in good stead through the "once in a century" financial crisis that began in 2008.

2009 investment returns

In the first two months of 2009, while this annual report was being drafted, WorkSafeBC's investments in pooled funds and real return bonds declined by approximately $354 million, on a market value basis. While this result does not necessarily predict the return for the entire year, it does suggest that both the global economy and the Canadian economy, which is heavily dependent on exports and demands for its natural resources, will remain in recession for some time. It is important to note that, although WorkSafeBC was conservative in its economic assumptions and forecasts published in this report, the organization was not anticipating significant investment losses in 2009.

Benefit liabilities

The benefit liabilities outlined above reflect management's best estimate of the present value of future payments to be made on existing claims. These liabilities are calculated on the basis of actuarial assumptions that, in turn, are based on recent (five-year) claims experience. However, future payments for long-term claims have a very long duration with an average expected payment period extending about 20 years into the future. Some claims have a potential payment life of more than 50 years. There is a risk that the actual, recent experience used to set actuarial assumptions may not endure for the entire period that current claims will be paid, which could result in changes in the liability estimate.

In estimating benefit liabilities, the two most important assumptions underlying the estimates are the net discount rate and the future payment pattern.

Net discount rate – Expected future benefit payments are discounted to arrive at a present value liability amount. In 2007, the net discount rate was 3.5 percent. The net discount rate was lowered to 3.0 percent in 2008. If the actual future investment performance were to fall to less than 3.0 percent above inflation,

Benefit liabilities

$ millions	2008				2007	
	Unfinalled claims	Pension awards	Non-recurring costs	Total	Total	Change
Short-term disability	287	—	7	294	286	8
Long-term disability	2,031	3,577	321	5,929	5,673	256
Survivor benefits	75	742	43	860	805	55
Health care	1,439	—	92	1,531	1,294	237
Vocational rehabilitation	165	—	2	167	175	(8)
Claim administration	545	—	22	567	519	48
Total	**4,542**	**4,319**	**487**	**9,348**	**8,752**	**596**

then the liability would be understated. A 1.0 percent change in the discount rate would change liabilities by approximately $1 billion.

Future payment pattern — The benefit liabilities consist of two major categories, each of which incorporate an estimate of the future payment pattern:

Pension awards, capitalized values — This is the present value of monthly annuities (or pensions) that have already been awarded to workers (long-term disability) or to survivors of deceased workers. The potential estimation error in this $4.5-billion liability is relatively small, as the awards are known.

Provision for unfinalled claims — This is the present value of future payments on existing claims yet to be awarded. While an exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability cannot be determined, historical data suggests that the expected uncertainty could range from plus or minus 20 percent, or about $1 billion.

Benefit liabilities have grown in 2008 by $596 million. Apart from the change in discount rate that accounted for $487 million of the increase, the change to this liability was relatively small — an increase of $109 million. The change in actuarial valuation of this liability was trending downward from 2001 to 2007, but it may have reached the end of that trend. Factors such as short-term disability duration, vocational rehabilitation's continued success in returning workers to work, and general economic conditions could all influence a change in the value of the liability. As well, judicial or legislative decisions that change policy or the scope of coverage could also impact the valuation of benefit liabilities.

Reserves

WorkSafeBC maintains a number of reserves, as shown in the table on the next page and described in Note 2(e) of the consolidated financial statements, on page 71.

During 2008, the only change to the reserves was a reduction of the Capital Adequacy Reserve by $21 million. While the other reserves have been in place for some time, the Capital Adequacy Reserve is relatively new. In 2005, WorkSafeBC began setting aside funds to ensure that the Accident Fund would not fall into a deficit position. In 2007, the reserve was fashioned after the Office of the Superintendent of Financial Institution's (OSFI) capital adequacy test used in the private insurance sector.

The idea was — and continues to be — to set aside funds in the economically good years to ensure the Accident Fund is sustain-

Reserves

$ millions	2008	2007	Change
Contingent reserve	3	3	—
Disaster reserve	16	16	—
Enhancement reserve	21	21	—
Latent occupational disease reserve	200	200	—
Earthquake disaster reserve	20	20	—
Research reserve	30	30	—
General reserve	250	250	—
Capital adequacy reserve	869	890	(21)
Total	**1,409**	**1,430**	**(21)**

able in a surplus position throughout its worst years. While the investment exuberance of the last few years was not expected to continue, no one anticipated the extent of the economic downturn in 2008. Management withdrew minimal yet sufficient funds from the Capital Adequacy Reserve to ensure the 2010 premium rates would not need to be significantly increased. The Capital Adequacy Reserve is being used earlier than expected, but exactly in the manner and for the purpose for which it was intended.

Results

In 2008, the funding level of the Accident Fund was 116 percent (assets compared to liabilities), and the percentage of the target asset level achieved was 88 percent (assets compared to the target asset requirement level).

The financial position at the end of 2008 resulted from a total comprehensive loss in 2008 of $2.1 billion, compared to total comprehensive income of $283 million in 2007 — a dramatic drop. This amount is explained almost entirely by the unrealized investment losses (other comprehensive loss — $1.46 billion) in the financial markets and by the increased claim costs of $487 million resulting from the change in discount rate.

The good news is that the organization has survived the global financial events of 2008 and is still in a surplus position. As a result, in the coming year, the organization is well positioned to respond to continued market volatility, while maintaining benefit security for workers and low premium rates for employers. WorkSafeBC's relatively strong financial position would not have been possible without previous long-range planning for just such a downturn.

Benefit liabilities

	Unfinalled claims	Pension awards	Non-recurring costs	Total	Total	Change
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Future payment pattern — The benefit liabilities consist of two major categories, each of which incorporate an estimate of the future payment pattern:

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Reserves

Contingent reserve	3	3	—
Disaster reserve	16	16	—
Enhancement reserve	21	21	—
Latent occupational disease reserve	200	200	—
Earthquake disaster reserve	20	20	—
Research reserve	30	30	—
General reserve	250	250	—
Capital adequacy reserve	869	890	(21)
Total	**1,409**	**1,430**	**(21)**

able in a surplus position throughout its worst years. While the investment exuberance of the last few years was not expected to continue, no one anticipated the extent of the economic downturn in 2008. Management withdrew minimal yet sufficient funds from the Capital Adequacy Reserve to ensure the 2010 premium rates would not need to be significantly increased. The Capital Adequacy Reserve is being used earlier than expected, but exactly in the manner and for the purpose for which it was intended.

Results

In 2008, the funding level of the Accident Fund was 116 percent (assets compared to liabilities), and the percentage of the target asset level achieved was 88 percent (assets compared to the target asset requirement level).

The financial position at the end of 2008 resulted from a total comprehensive loss in 2008 of $2.1 billion, compared to total comprehensive income of $283 million in 2007 — a dramatic drop. This amount is explained almost entirely by the unrealized investment losses (other comprehensive loss — $1.46 billion) in the financial markets and by the increased claim costs of $487 million resulting from the change in discount rate.

The good news is that the organization has survived the global financial events of 2008 and is still in a surplus position. As a result, in the coming year, the organization is well positioned to respond to continued market volatility, while maintaining benefit security for workers and low premium rates for employers. WorkSafeBC's relatively strong financial position would not have been possible without previous long-range planning for just such a downturn.

Comparison to plan

($ millions)	2008 actual	2008 plan	Variance
Premium income	1,141	1,123	18
Investment income	245	475	(230)
Total revenues	**1,386**	**1,598**	**(212)**
Claim costs	1,364*	1,221	(143)
Cost of the change in discount rate used to calculate benefit liabilities	487	—	(487)
Operating costs			
Administration expenses	370	370	—
Injury-reduction initiatives	15	14	(1)
Less: Claim administration payments	(218)	(209)	9
Total expenses	**2,018**	**1,396**	**(622)**
Operating surplus (deficit)	(632)	202	(834)
Other comprehensive income (loss)	(1,463)	43	(1,506)
Total comprehensive income (loss)	**(2,095)**	**245**	**(2,340)**
Percentage of target asset level achieved	88%	103%	(15%)
Funding level	116%	141%	(25%)

*The 2008 claim costs exclude non-recurring costs ($487 million).

WorkSafeBC prepares pro forma financial projections each year as part of its annual business planning process, and the performance targets for key objective/performance indicators #8, #9, and #10 (see pages 39 to 44) are based on these projections.

In 2008, the organization's total comprehensive income was $2.3 billion lower than planned, primarily because of the investment market value losses and increase in claim costs. Investment income and other comprehensive income were both lower than planned, by $230 million and $1.5 billion respectively, as a result of the turmoil in capital markets and decline in global equity prices, as discussed previously in the investment income (see page 53) and portfolio investments (see page 56) sections. Claim costs were $630 million higher than planned, mostly due to increases in health care benefit costs and the lowering of the net discount rate used to calculate benefit liabilities, also previously discussed in the claim costs (see page 54) and benefit liabilities (see page 57) sections. Premium income was higher than planned, mostly because of the adjustment to the premium income estimated for 2007, which was recorded in 2008 (see the premium income estimation discussion on page 52). Operating costs were according to plan for the year, except for the portion of operating costs reclassified to claim costs.

Risks

Risk capital

In order to be a financially sound workplace insurance agency, WorkSafeBC must aspire to meet risk capital tests similar to those imposed on private insurers by regulatory authorities. In Canada, the OSFI regulates banks and insurance companies to ensure these organizations have sufficient capital to back their promises and obligations to customers and policy holders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy that sets out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, its decision to voluntarily adopt a capital coverage target is in keeping with its strategic objective of financial sustainability of the system. WorkSafeBC's target asset level is discussed in the

Performance Targets and Results section (see key objective/ performance indicator #8, on page 39).

Risk management

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. Management has therefore established financial controls, policies, and processes to assist in containing risks. An internal audit department, which reports regularly to the Audit Committee of the Board of Directors, carries out operational and control audits to test for compliance. In addition to the above, the Audit Committee and the Board of Directors receive annual reporting on key risk factors and an assessment of the potential impact and likelihood of occurrence of the identified risks. (See Appendix C, page 100, for a discussion of some of the risk factors in WorkSafeBC's operating environment.)

Benefit costs risks

Benefit costs, especially those related to the high-cost injuries that lead to long-term disability, are susceptible to many variables. These include employers' return-to-work practices, WorkSafeBC's effectiveness in managing claims, and appellate decision results. In the past, the appellate result variable has been the most unpredictable and potentially costly risk factor. The number of appeals pending resolution at the Workers' Compensation Appeal Tribunal at the end of 2008 totalled 2,957. In other years, the year-end numbers were as follows: 3,616 in 2007; 4,013 in 2006; 4,960 in 2005; 9,944 in 2004; and, 15,708 in 2003. This substantial reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability, and thus reduce the unknown risk factor to more predictable levels.

Another risk to benefit costs is potential changes to legislated benefits or expanded coverage of diseases, especially if these benefits are applied retroactively. Other provincial legislatures have faced such issues as chronic pain and work-related chronic stress. If introduced in B.C., these issues could carry substantial financial liability risk. Also, the province faces the risk of widespread diseases, such as severe acute respiratory syndrome (SARS) and pandemic influenza, which could affect large portions of the working population. The results of such an outbreak would significantly increase benefit costs.

While risks of these types are not controllable, WorkSafeBC has a reserve for latent occupational disease. In 2006, the organization also established a general reserve for special circumstances that have significant cost implications — such as potential legislated benefit changes and court decisions. In addition, as previously described, WorkSafeBC has a capital adequacy policy in place to help mitigate these risks.

Investment performance risks

WorkSafeBC's investment policy shapes a prudent portfolio that has macro-target allocations of 45 percent equities, 45 percent fixed income, and 10 percent real estate. Allowable ranges within asset classes allow discretionary movement if circumstances warrant it. The Board of Directors is responsible for setting WorkSafeBC's investment policy and assigns the oversight and asset allocation decisions (within approved ranges) to an Investment Committee consisting of independent external members (who are professionals in investments or economics) and internal members (consisting of the President/ CEO and the Chief Financial Officer). The policy prescribes that appropriate safeguards and controls must be in place to mitigate risks.

The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure that the organization's investment portfolio manager, bcIMC, has adequate internal controls and risk-mitigation procedures in place. In addition, bcIMC has its internal controls audited annually by an external public accounting firm, and those audit reports[iv] are made available to WorkSafeBC. To date, no serious audit concerns have been raised by bcIMC's external auditor regarding their internal controls or the reliability of the pooled investment funds information.

Some investment risks cannot be directly controlled, such as significant market swings, geopolitical risks, and interest rate changes driven by monetary, fiscal, and trade policies of other countries. In 2008, the world witnessed much of this volatility actually occurring in the marketplace. The fact that WorkSafeBC remains in a surplus position after this downturn shows that it was well-positioned to handle substantial investment risk.

Management continues to look for ways to mitigate risk overall — a Value at Risk (VaR) project was completed in 2008, offering VaR as another tool to regularly evaluate the inherent risk in the portfolio. Further information regarding VaR is available on WorkSafeBC.com, and additional disclosure on WorkSafeBC's investment risk management is provided in Note 5 of the consolidated financial statements (see page 76).

Future outlook

Looking past the events of 2008, WorkSafeBC's pro forma financial projections indicate a slow and steady return to positive operating results.

Management projects that the economic crisis of 2008 will inflict a serious recessionary environment on B.C. throughout 2009. As a result, the assumptions built into the three-year projections call for:

- A lower than normal Consumer Price Index (CPI) rate in 2009, increasing slowly in later years
- Workforce growth at significantly lower than recent rates
- Investment returns at the long-term average expected rate of return
- Average unfinalled claim costs to remain flat

If proven, these assumptions would see asset levels maintained at 88 percent of the target through 2011 and the funding level remain at approximately 116 percent on a fair value basis in 2009, then drop slightly to 115 percent in 2010 and further to 114 percent in 2011. They also lead to a projected 2-cent increase in the average premium rate in 2010 and 2011.

While projections do not necessarily predict the future, they help WorkSafeBC's management make qualitative assessments of its likely results. As part of this forecasting process, management continually monitors leading indicators and performance measures related to inflation, the provincial injury rate, investment returns, and claim costs.

Inflation, while seen as a major threat at the beginning of 2008, is now expected to be benign in 2009. In fact, many economists are predicting deflation may occur in 2009. WorkSafeBC expects that CPI will dip considerably in early 2009 and pick up again at the start of 2010. With the number of bailout packages being offered in many countries worldwide, the cost of borrowing will likely increase as the economy improves.

With oil moving from its high of US$147 per barrel in July 2008 to a pattern in the US$40–$50 range at the end of 2008, and other commodities falling too, the Canadian currency has reflected its petro-dollar nature and retreated to 80-cent levels. While oil may gain some ground, the dollar is expected to stay in the 80-to-85-cent range through 2009. If demand for commodities picks up again in 2010 and 2011, Canada should see a boost in its currency and general trade.

If the B.C. economy experiences a major dip, the provincial injury rate could decrease as the labour market eases, primarily because construction and other higher risk job types would be the first ones affected in such a climate. These factors would also contribute to a leveling off of premium income.

In 2007, investment income came down from the double-digit highs of the previous few years and became a large loss in 2008. While our economic assumptions do not include further investment losses in 2009, high returns are not anticipated either. While some reversion to normalcy is anticipated, it's hard to see "normal" from here.

Accounting standards

The pro forma financial projections are based on current Canadian generally accepted accounting principles (GAAP). Over the next three years, accounting standards in Canada will be changing as International Financial Reporting Standards (IFRS) are incorporated into Canadian GAAP. The Canadian Accounting Standards Board confirmed in February 2008 that full implementation of IFRS will be required for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011.

To prepare for the conversion to IFRS, WorkSafeBC has developed an IFRS changeover plan. This plan addresses key elements of WorkSafeBC's conversion to IFRS. The following offers a summary of the WorkSafeBC IFRS changeover plan, including a progress assessment as of December 31, 2008. As the implementation process develops, WorkSafeBC will continue to revisit its changeover plan; accordingly, changes to the plan may be required as more information on the adoption of IFRS becomes known.

A summary of WorkSafeBC's IFRS changeover plan

Key activity	Milestones / deadlines	Status at December 31, 2008
Financial statement preparation Identification of differences in Canadian GAAP/IFRS accounting policies and choices Selection of accounting policies under IFRS Selection of IFRS 1 accounting policy choices Quantification of IFRS 1 elections Preparation of financial statement format, including disclosure requirements Preparation of 2010 comparative financial statements	Ready for conversion on January 1, 2011 Quantification of IFRS 1 elections by the 4th quarter, 2009	Discussion papers prepared for a number of financial statement items, including identification of significant accounting policy choices, and financial and operational impacts Participation in IFRS working groups for information sharing – Canadian workers compensation organizations, and B.C. public sector entities
Infrastructure: IFRS expertise IFRS training and development at all levels: Corporate accounting managers and staff Operating divisions' financial service managers and staff Senior executive and Board level, including Audit Committee	Ready for transition on January 1, 2010	In-depth IFRS training for corporate accounting managers and staff completed IFRS and accounting policy presentations in progress for other levels
Infrastructure: Information technology Systematic processing changes Program upgrades/changes One-off calculations (IFRS 1) Disclosure data gathering Capital asset system Budget/plan/forecast monitoring process	Ready for parallel processing of 2010 general ledgers and planning/monitoring processes by the 3rd quarter, 2009	Scoping study completed; resource assessment underway Development of IFRS-compliant capital asset system started
Operational assessment Rate setting Capital adequacy Key objective/performance indicators Business planning and budgeting Business case procedures and guidelines Communication with stakeholders	Impact study and revised policy/measures completed by the 4th quarter, 2009	Preliminary identification of all significant operational impacts completed Revision of capitalization policy and business case procedures and guidelines completed

Responsibility for financial reporting

WorkSafeBC's management is responsible for the preparation of the accompanying consolidated financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff perform an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits designed to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of the consolidated financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.

David Anderson,
President and Chief Executive Officer
WorkSafeBC

Steve Barnett, CA
Chief Financial Officer
WorkSafeBC

March 16, 2009

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board of British Columbia, and To the Minister of Labour and Citizens' Services, Province of British Columbia

I have audited the consolidated balance sheet of the *Workers' Compensation Board of British Columbia* (WorkSafeBC) as at December 31, 2008 and the consolidated statements of operations, changes in unappropriated balance and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of WorkSafeBC as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
March 19, 2009

John Doyle, MBA, CA
Auditor General

Consolidated balance sheet as at December 31, 2008 ($ thousands)

Exhibit 1

	2008	2007[a]
Assets		
Receivables (Note 4)	514,471	515,804
Portfolio investments (Note 5 and Note 21)	10,400,437	11,886,689
Capital assets (Note 7)	167,414	165,054
Total assets	**11,082,322**	**12,567,547**
Liabilities and funded position		
Payables and accruals (Note 8)	246,488	232,951
Benefit liabilities (Note 9)	9,347,925	8,751,988
Total liabilities	**9,594,413**	**8,984,939**
Reserves (Note 11)	1,409,000	1,430,000
Unappropriated balance (Exhibit 3)	1,011,478	1,622,151
Accumulated other comprehensive income (loss) (Exhibit 3)	(932,569)	530,457
Total funded position	**1,487,909**	**3,582,608**
	11,082,322	**12,567,547**

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of WorkSafeBC's Board of Directors:

WorkSafeBC
Roslyn Kunin, CM, ICD.D
Chair

WorkSafeBC
Robert Smith
Chair of Audit Committee

a Certain 2007 figures have been restated — see Note 3.

Consolidated statement of operations for the year ended December 31, 2008 ($ thousands)

Exhibit 2

Revenues		
Premiums (Note 12)		
Rateable employers	1,070,244	1,048,776
Self-insured employers (Note 13)	55,840	18,532
Levy for injury-reduction initiatives	15,235	14,588
	1,141,319	1,081,896
Investments (Note 5)		
Earned income	384,371	368,157
Realized gains (losses) on investments	(139,514)	787,088
Unrealized gains (losses) on held-for-trading investments	—	(19,324)
	244,857	1,135,921
Total revenues	**1,386,176**	**2,217,817**
Expenses		
Claim costs (Note 10)		
Benefit payments	1,254,503	1,164,669
Changes in actuarial valuation of benefit liabilities	108,573	(47,928)
	1,363,076	1,116,741
Operating costs (Note 14)		
Administration costs	370,091	338,772
Funding for injury-reduction initiatives	15,235	14,588
	385,326	353,360
Less: Claim administration payments	(217,917)	(192,875)
	167,409	160,485
Total expenses	**1,530,485**	**1,277,226**
Surplus (deficit) before non-recurring expenses	(144,309)	940,591
Non-recurring expenses (Notes 9 and 10)	(487,364)	(36,514)
Surplus (deficit) from operations	**(631,673)**	**904,077**
Other comprehensive income (loss)		
Net unrealized gains (losses) on available-for-sale investments (Note 5)	(1,463,026)	(620,886)
Total comprehensive income (loss)	**(2,094,699)**	**283,191**

The accompanying notes are an integral part of the consolidated financial statements.

a Certain 2007 figures have been restated — see Note 3.

Consolidated statement of changes in unappropriated balance and accumulated other comprehensive income for the year ended December 31, 2008 ($ thousands)

Exhibit 3

Unappropriated balance — January 1	1,622,151	1,216,377
Prior-period adjustment (Note 3)	—	91,697
Unappropriated balance — January 1 restated	1,622,151	1,308,074
Surplus (deficit) from operations (Exhibit 2)	(631,673)	904,077
Withdrawal from (appropriation to) Capital Adequacy Reserve	21,000	(590,000)
Unappropriated balance — December 31	**1,011,478**	**1,622,151**
Accumulated other comprehensive income — January 1	530,457	1,151,343
Other comprehensive income (loss) (Exhibit 2)	(1,463,026)	(620,886)
Accumulated other comprehensive income (loss) — December 31	**(932,569)**	**530,457**

The accompanying notes are an integral part of the consolidated financial statements.

a Certain 2007 figures have been restated — see Note 3.

Consolidated statement of cash flows for the year ended December 31, 2008 ($ thousands)

Exhibit 4

Cash obtained from (used for) operating activities		
Cash received from:		
Employers	1,131,863	1,101,736
Dividends and interest	366,214	323,423
	1,498,077	1,425,159
Cash paid to:		
Claimants or third parties on behalf of claimants	(1,036,587)	(973,693)
Employees and vendors for goods and services	(325,375)	(296,417)
	(1,361,962)	(1,270,110)
Cash flow from operating activities	**136,115**	**155,049**
Cash obtained from (used for) investing activities		
Net sale (purchase) of portfolio investments	(197,466)	(106,101)
Net sale (purchase) of capital assets	(37,987)	(49,108)
Cash flow from (used for) investing activities	**(235,453)**	**(155,209)**
Net increase (decrease) in cash and cash equivalents	(99,338)	(160)
Cash and cash equivalents — January 1	(20,662)	(20,502)
Cash and cash equivalents — December 31	**(120,000)**	**(20,662)**

The accompanying notes are an integral part of the consolidated financial statements.

a Certain 2007 figures have been restated — see Note 3.

Notes to the consolidated financial statements for the year ended December 31, 2008

NOTE 1 NATURE OF OPERATIONS

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate against the risks in its assets and liabilities. Any balances in the unappropriated balance or unfunded liability are to be amortized on a five-year averaging basis through adjustments to future premium rates. While Canadian generally accepted accounting principles are applied for the purpose of disclosing its consolidated financial statements, WorkSafeBC applies a smoothed investment accounting method for its funding policy (please refer to the Financial Context on page 12). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of WorkSafeBC have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been adopted by the organization:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, revenues, and expenses of all variable interest entities (VIEs) for which WorkSafeBC is determined to be the primary beneficiary (see Note 6). Inter-company balances and transactions have been eliminated.

(B) PORTFOLIO INVESTMENTS

WorkSafeBC invests in long- and short-duration fixed-term investments, publicly traded equities, real estate holdings, private placement investments, and derivative financial instruments on a segregated basis (directly held), and through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC). Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, provincial governments, Crown corporations, and high-quality corporations, as well as real-return bonds and fixed-term mortgages. Fixed-term investments having terms less than or equal to one year consist primarily of treasury bills and other money market instruments.

WorkSafeBC's fixed-term, equity, currency overlay, and real estate investments are designated as available-for-sale investments. They are reported at fair value, except for investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains and losses and are recognized in other comprehensive income or loss. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations.

WorkSafeBC's investment in bcIMC'S currency hedging funds is composed primarily of derivative financial instruments. The investment, though also stated at fair value, is classified as held-for-trading, with changes in fair value reflected in investment income as unrealized gains and losses.

All realized gains and losses from the sale of pooled fund units and segregated investments are recognized in investment income in the year of disposition. Realized gains and losses also include net annual realized trading gains and losses allocated to WorkSafeBC from the various pooled fund products included in WorkSafeBC's investment portfolio. Investment income also includes interest and dividends earned, and it is reduced by investment expenses incurred during the year.

WorkSafeBC utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), and not on the date the transaction is finalized (the settlement date). If the transaction involves interest, the interest is recorded on the settlement date.

The fair value of investments is market value. The market value of publicly traded investments and forward foreign exchange contracts is based on quoted prices, while that of domestic real estate investments is based on independent appraisals.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

Capital assets are reported at cost and amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of assets are as follows:

Buildings	20 to 40 years
Equipment	3 to 5 years
Furniture	10 years
Vehicles	7 years
Operating systems	5 to 10 years
Computer software	3 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date the asset is available for use.

WorkSafeBC determines its liabilities at the end of each year for all injuries that have taken place to that time.

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these consolidated financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into three categories:

- The capitalized value of future monthly payments for pension awards already made
- A provision for future payments on claims that have not been finalized to date
- The capitalized value of the estimated future cost of administering existing claims

These benefits are calculated using a real discount rate of 3.0 percent (2007: 3.5 percent, see Note 9) — that is, the assumption is that investment income will be earned at an annual rate 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates that are used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Health care inflation	0.5%
Wage growth	2.0%
Claim administration inflation	2.5%
Benefits indexed to inflation minus 1%	4.0%

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases because the determination of such claims cannot be reasonably estimated. However, a $200-million reserve was established in prior years to mitigate future claims relating to such diseases.

The $40-million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that WorkSafeBC considers to be an unfair burden to the employers in a particular class

- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but they are prorated to the various employer classes rather than being charged directly to any specific class.

WorkSafeBC established a $200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current year or in prior years, but will not be reported or recognized for a number of years due to the extended latency periods of such diseases.

A $20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

The $30-million Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

In 2006, WorkSafeBC established a $250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes, that may impact significantly on the organization's consolidated financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

WorkSafeBC established a Capital Adequacy Reserve in 2007 to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate against the risks in its assets and liabilities. The Capital Adequacy Reserve balance was $869 million at December 31, 2008. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target Capital Adequacy Reserve level determined using a methodology derived from the federal Office of the Superintendent of Financial Institutions (OSFI) capital reserve guidelines. Note that although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2008, $21 million was withdrawn from the Capital Adequacy Reserve.

Capital Adequacy Reserve	869,000	890,000
Target Capital Adequacy Reserve level	2,445,000	2,655,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

As a significant portion of premium income for the year is not received until after year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of WorkSafeBC administration costs.

The receivable in Note 4 represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined; it also includes any unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these consolidated financial statements.

WorkSafeBC adopted three new sections of the *Canadian Institute of Chartered Accountants' (CICA) Handbook* as of January 1, 2008:

- Section 3862 (Financial Instruments — Disclosures)
- Section 3863 (Financial Instruments — Presentation)
- Section 3064 (Goodwill and Intangible Assets)

Sections 3862 and 3863 replaced Section 3861 (Financial Instruments — Disclosures and Presentation). Section 3863 carries forward unchanged the presentation requirements of Section 3861, while Section 3862 requires enhanced financial instrument disclosures, including qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new disclosures required are included in Note 5 of these consolidated financial statements.

Section 3064 replaces Section 3062 (Goodwill and Intangible Assets) and Section 3450 (Research and Development Costs). Section 3064 establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets. WorkSafeBC has elected early adoption of Section 3064 for its fiscal year ending December 31, 2008. The adoption of this section resulted in amendments to WorkSafeBC's policy for deferral and amortization of costs incurred for internally developed operating systems. These amendments do not have a material impact on the consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under IFRS beginning in 2011. IFRS will then replace Canadian generally accepted accounting principles. WorkSafeBC will begin reporting its consolidated financial statements in accordance with IFRS on January 1, 2011. WorkSafeBC has started an IFRS conversion project and is currently evaluating the impact of the initial application of these standards on the consolidated financial statements.

WorkSafeBC invests in private placements and foreign real estate through 38 investment corporations (see Note 6). In 2008, WorkSafeBC reassessed its accounting treatment of these investment corporations.

In accordance with CICA Accounting Guideline 15 (Consolidation of Variable Interest Entities), consolidation may apply to entities with a structure that precludes control through ownership of voting interests, but over which control may exist through other arrangements. After further review of the CICA guideline and the organizational structure of the investment corporations, WorkSafeBC determined that it should consolidate the investment corporations, as they are variable interest entities for which WorkSafeBC is the primary beneficiary. Previously, WorkSafeBC recorded only the distributions from these investment corporations, and not the income and capital gains that were reinvested into the corporations. This resulted in understatement of the portfolio investments and realized gains on investments, and overstatement of earned income.

The 2007 financial statements have been restated to reflect the consolidation of the investment corporations, resulting in a $91,697 increase in the opening unappropriated balance, a $33,033 increase in the surplus from operations, and a corresponding increase in portfolio investments of $124,730. The net effect of these changes is a $124,730 increase in the 2007 closing unappropriated balance.

Summarized below is the effect of the prior-period adjustment on the 2007 comparative figures as originally reported in the 2007 annual report:

Balance sheet			
Portfolio investments	11,761,959	124,730	11,886,689
Statement of operations			
Interest income	238,018	6,971	244,989
Dividends and other earned income	160,430	(37,262)	123,168
Realized gains on investments	723,764	63,324	787,088
Surplus from operations	871,044	33,033	904,077
Unappropriated balance and AOCI			
Unappropriated balance — opening	1,216,377	91,697	1,308,074
Unappropriated balance — closing	1,497,421	124,730	1,622,151
Statement of cash flows			
Dividends and interest	353,715	(30,292)	323,423
Net sale (purchase) of portfolio investments	(136,393)	30,292	(106,101)

Premiums	27,114	22,964
Accrued premiums	241,862	263,671
Self-insured employers — receivable	178,329	167,797
Premiums receivable	447,305	454,432
Self-insured employers — deposits	(19,911)	(14,417)
Accrued benefit asset of employee pension plan (Note 16)	83,600	72,861
Other receivables	3,477	2,928
	514,471	**515,804**

Investments in pooled funds, at market value		
Money market fund	200,034	233,938
Bond funds	3,759,531	3,592,714
Mortgage funds	455,047	239,895
Canadian index equity fund	708,336	719,087
Active Canadian equity funds	791,174	1,421,591
U.S. index equity fund	80,167	149,010
Active U.S. equity funds	468,987	563,966
International index equity funds	15,365	230,775
Active international equity funds	898,270	1,464,828
Currency hedging funds	51,128	77,588
Currency overlay fund	—	13,631
Domestic real estate fund	1,546,362	1,534,334
	8,974,401	10,241,357

Investments held directly, at market value		
Bank float	(120,000)	(20,662)
Government bonds	—	234,164
Real-return bonds	613,651	625,776
	493,651	839,278
Investments held through investment corporations, at cost (Note 6)		
Foreign real estate	150,263	134,319
Private placements	782,122	671,735
	932,385	806,054
	10,400,437	**11,886,689**
Interest income	224,909	244,989
Dividends and other earned income	159,462	123,168
Earned income	384,371	368,157
Realized gains (losses) on investments	(139,514)	787,088
Unrealized gains (losses) on held-for-trading investments	—	(19,324)
	244,857	**1,135,921**
Realized gains (losses) on portfolio investments		
Fixed-term pooled funds and fixed-term investments held directly	110,641	(6,942)
Equity, real estate, and currency overlay pooled funds and investments held through investment corporations	(187,324)	694,213
Currency hedging pooled funds	(62,831)	99,817
	(139,514)	**787,088**
Unrealized gains (losses) on held-for-trading investments		
Currency hedging pooled funds	**—**	**(19,324)**
Unrealized gains (losses) on available-for-sale investments		
Fixed-term pooled funds and fixed-term investments held directly	(101,753)	(92,867)
Equity, real estate, and currency overlay pooled funds	(1,361,273)	(528,019)
	(1,463,026)	**(620,886)**

The portfolio investments are all designated as available-for-sale, except for currency hedging funds, which are designated as held-for-trading. The disclosure in (A) shows the investments in pooled funds by type of fund, while investments held directly are shown by type of investment. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside of their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment risk, WorkSafeBC's share of the net assets held in pooled funds is shown below by type of investment. It is combined with the investments held directly to show total holdings by type of investment.

	WorkSafeBC's share of net assets of pooled funds	Investments held directly and through investment corporations	Total	Total
Cash and net receivables/payables, at market value	32,476	(120,000)	(87,524)	25,259
Money market investments, at market value	303,183	—	303,183	320,081
Bonds, at market value	3,745,343	613,651	4,358,994	4,450,627
Mortgages, at market value	412,289	—	412,289	210,181
Public equities, at market value	2,957,881	—	2,957,881	4,546,243
Derivatives, at market value	(23,133)	—	(23,133)	(6,090)
Domestic real estate, at market value	1,546,362	—	1,546,362	1,534,334
	8,974,401	493,651	9,468,052	11,080,635
Foreign real estate, at cost	—	150,263	150,263	134,319
Private placements, at cost	—	782,122	782,122	671,735
	8,974,401	**1,426,036**	**10,400,437**	**11,886,689**

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist them in the discharge of these responsibilities, the Board of Directors has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, the management and investment of the portfolio is carried out by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*. The Accident Fund invests in short-term money market investments, bonds, equities, currency hedges, mortgages, real estate, and private placements through pooled funds and investment corporations managed by bcIMC; and invests in real-return bonds managed on a segregated basis.

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a credit rating of at least BBB in order to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bcIMC's internal credit rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country.

The credit ratings of WorkSafeBC's fixed income securities at December 31, 2008, are listed in the table below. Government and corporate bonds are held through pooled funds, and real-return bonds are held directly by WorkSafeBC.

Credit rating	Government bonds	Corporate bonds	Real-return bonds	Total	Composition
AAA/AA	2,245,270	830,415	556,237	3,631,922	83%
A	256,987	338,568	57,414	652,969	15%
BBB	—	52,929	—	52,929	1%
Unrated	—	21,174	—	21,174	1%
Total, at market value	**2,502,257**	**1,243,086**	**613,651**	**4,358,994**	**100%**

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC uses currency hedging strategies, where deemed appropriate, by participating in currency hedging funds managed by bcIMC.

The currency exposure (before hedging) of WorkSafeBC's investments at December 31, 2008, is listed in the table below. For the currency risk exposure table, investments in foreign real estate and private placements are presented at market value. Investments in Canadian dollars are shown in the table below for comparative purposes.

Currency	Public equities	Foreign real estate	Private placements	Total	Composition
Canadian dollars	1,467,099	1,408	154,248	1,622,755	40%
U.S. dollars	622,234	140,157	588,000	1,350,391	33%
Euros	216,835	65,209	127,400	409,444	10%
British pounds	100,584	16,033	37,718	154,335	4%
Japanese yen	131,639	—	2,073	133,712	3%
Other currencies	419,490	—	—	419,490	10%
Total, at market value	**2,957,881**	**222,807**	**909,439**	**4,090,127**	**100%**

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually against the increase in the annual Canadian consumer price index (CPI), as measured in October each year, minus 1.0 percent, up to a maximum annual rate of 4.0 percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets, including real estate, infrastructure equity investments, and Canadian real-return bonds. These bonds are indexed to the annual change in the CPI and have an effective yield of 2.3 percent, excluding the CPI component, at December 31, 2008 (2007: 2.0 percent).

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in pooled funds consisting of highly liquid short-term money market and fixed income assets. As at December 31, 2008, the reconciled bank balance was negative $120,000 (2007: negative $20,662), of which $99,814 represented investment transactions recorded at trade date but pending settlement at year-end (see the trade date accounting policy on page 71), and $20,186 represented the value of cheques issued but not cashed.

Fluctuations in interest rates can affect the market value of the fixed-income portfolio and shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through direct holdings in bonds and through investments in fixed income pooled funds with different terms to maturity. The following table summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its fair value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2008, is 3.9 percent (2007: 4.5 percent).

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Government bonds					
Market value	70,951	1,302,454	206,846	922,006	2,502,257
Amortized book value	69,447	1,252,880	214,297	898,887	2,435,511
Corporate bonds					
Market value	27,814	290,469	626,256	298,547	1,243,086
Amortized book value	27,284	288,462	631,407	329,780	1,276,933
Real-return bonds					
Market value	—	—	14,771	598,880	613,651
Amortized book value	—	—	15,611	584,368	599,979
Fixed-term mortgages					
Market value	16,704	194,610	193,503	7,472	412,289
Amortized book value	16,657	190,861	199,538	7,817	414,873
Total					
Market value	**115,469**	**1,787,533**	**1,041,376**	**1,826,905**	**4,771,283**
Amortized book value	**113,388**	**1,732,203**	**1,060,853**	**1,820,852**	**4,727,296**

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate.

At December 31, 2008, the sector and geographic breakdown of WorkSafeBC's domestic real estate investments were as follows:

Sector	Total	Composition
Office	873,369	47%
Residential	323,542	17%
Industrial	268,381	14%
Retail	178,018	10%
Hospitality	184,714	10%
Others	42,020	2%
Operating assets and liabilities of the fund	(323,682)	
Total, at market value	**1,546,362**	**100%**

Province	Total	Composition
Ontario	682,566	37%
Alberta	658,443	35%
B.C.	337,917	18%
Quebec	113,886	6%
Manitoba	28,238	2%
Nova Scotia	23,001	1%
Saskatchewan	20,570	1%
New Brunswick	3,927	—
PEI	1,122	—
Newfoundland	374	—
Operating assets and liabilities of the fund	(323,682)	
Total, at market value	**1,546,362**	**100%**

To capture investment opportunities on a worldwide basis, global public equity investments are monitored and reviewed on a quarterly basis. This helps to ensure that appropriate diversification is achieved.

At December 31, 2008, the industry and geographic breakdown of WorkSafeBC's public equities was as follows:

Industry	Canada	U.S.	Non-North America	Total	Composition
Financial services	380,133	85,040	229,235	694,408	24%
Energy	417,877	67,557	78,232	563,666	19%
Materials	239,668	16,634	59,140	315,442	11%
Industrial	118,342	62,161	90,969	271,472	9%
Information technology	61,647	101,714	75,029	238,390	8%
Consumer discretionary	82,218	64,556	71,234	218,008	7%
Consumer staple	53,785	64,647	74,006	192,438	7%
Telecommunication services	75,868	20,892	90,999	187,759	6%
Health care	10,381	98,902	74,232	183,515	6%
Utilities	21,086	17,319	46,738	85,143	3%
Other	6,095	1,379	166	7,640	—
Total, at market value	**1,467,100**	**600,801**	**889,980**	**2,957,881**	**100%**

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors, such as public equity prices, interest rates, foreign exchange rates, and real estate and private placement market valuations. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by bcIMC and the Investment Committee, and through the risk budget and diversification of the portfolio. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The tables below provide estimates of the potential dollar impact on the market value of investments, when there are material changes in key risk variables, such as equity market indexes, interest rates, Canadian dollar exchange rates, and real estate and private placement valuations. Each table shows the potential impact under normal market conditions within the 12-month period following the balance sheet date. The lower of the two risk scenarios represents the more likely consequence for the specific asset class if market forces move in an adverse direction. The higher risk scenario is less likely to occur. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from extreme market conditions and events.

The table below presents the estimated effect of a material adverse change in the equity index benchmark for each geographic category of the public equity investments. The standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31, 2008.

Public equities	One standard deviation	Two standard deviations
Percentage change in market benchmark	-15.0%	-29.9%
Estimated loss in market value — Canadian equity pooled funds	$225,000	$450,000
Percentage change in market benchmark	-12.8%	-25.5%
Estimated loss in market value — U.S. equity pooled funds	$70,000	$140,000
Percentage change in market benchmark	-15.8%	-31.6%
Estimated loss in market value — Non-North American equity pooled funds	$145,000	$290,000

The table below presents the estimated effect of a material adverse change in the nominal and real interest rates on the bond and mortgage investments.

	Scenario 1	Scenario 2
Basis points change in nominal interest rate	+ 75 bp	+ 150 bp
Estimated loss in market value — bond pooled funds	$180,000	$365,000
Basis points change in nominal interest rate	+ 75 bp	+ 150 bp
Estimated loss in market value — mortgage pooled funds	$10,000	$15,000
Basis points change in real interest rate	+ 75 bp	+ 150 bp
Estimated loss in market value — real-return bonds	$75,000	$150,000

The table below presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and Canadian dollar/Euro exchange rates on foreign currency-based investments in public equities, real estate, and private placements. The base exchange rates for the purpose of this analysis are the exchange rates at December 31, 2008.

	Scenario 1	Scenario 2
Appreciation in the Canadian dollar (vs. U.S. dollar)	10%	20%
Estimated loss in market value — public equities, real estate, and private placements	$125,000	$225,000
Appreciation in the Canadian dollar (vs. Euro)	10%	20%
Estimated loss in market value — public equities, real estate, and private placements	$35,000	$70,000

The table below presents the estimated effect of a material adverse change in the valuations of the investments in domestic real estate, foreign real estate, and private placements.

	Scenario 1	Scenario 2
Decline in value of assets	10%	20%
Estimated loss in market value — domestic real estate	$155,000	$310,000
Estimated loss in market value — foreign real estate	$20,000	$45,000
Estimated loss in market value — private placements	$90,000	$180,000

As at December 31, 2008, real-return bonds totalling $15.9 million, on a market value basis, were pledged as collateral for three private placement investments.

(1) In July 2005, real-return bonds were pledged for the issuance of a letter of credit in respect of a future investment commitment of U.S. $6.0 million in the Canada (RAV) Line project in Vancouver. It is expected that the letter of credit will be cancelled when the commitment is drawn down in 2009. The market value of the collateral was $7.8 million at December 31, 2008 (2007: $8.0 million).

(2) In December 2006, real-return bonds were pledged for the issuance of a letter of credit to guarantee U.S. $2.1 million of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected that the pledge will be required as long as the credit facilities are required by Transelec S.A. The market value of the collateral was $3.5 million at December 31, 2008 (2007: $3.6 million).

(3) In October 2007, real-return bonds were pledged for the issuance of a letter of credit in respect of a U.S. $2.7 million investment commitment for Puget Energy, the largest energy utility in Washington state. The pledge was cancelled when the deal closed in February 2009. The market value of the collateral was $4.6 million at December 31, 2008 (2007: $4.7 million).

WorkSafeBC invests in private placements and foreign real estate through 38 (2007: 33) investment corporations. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the corporation, whereas bcIMC owns one non-participating voting share of the corporation. The voting share gives bcIMC full authority to manage these investment corporations on behalf of WorkSafeBC.

WorkSafeBC consolidates the investment corporations, as they are variable interest entities for which WorkSafeBC is the primary beneficiary, and it participates in both the profits and losses of the corporations. The assets, liabilities, revenues, and expenses of the investment corporations are included in the consolidated financial statements of WorkSafeBC (see Note 3). The investment corporations had total net assets of $932,385 as at December 31, 2008 (2007: $806,054). The consolidation of these variable interest entities resulted in an increase to net assets and unappropriated balance of $146,385 as at December 31, 2008 (2007: $124,730).

	Cost	Accumulated amortization	Net book value	Net book value
Property, plant, and equipment				
Land	3,760	—	3,760	3,760
Buildings	97,758	(51,743)	46,015	46,873
Furniture, equipment, and vehicles	37,886	(23,559)	14,327	18,491
Intangible assets				
Computer software	18,850	(16,089)	2,761	1,940
Operating systems	197,549	(96,998)	100,551	93,990
	355,803	**(188,389)**	**167,414**	**165,054**

Included in the buildings and operating system costs are deferred costs of $3,059 (2007: $18,999) for construction and $71,258 (2007: $53,030) for systems development projects. These costs will not be amortized until the assets are available for use.

Accrued staff benefits	104,035	103,404
Accrued benefit liability of retirees' medical benefit plan (Note 16)	97,606	88,160
Vendor payables	19,610	14,821
Pre-2000 subclass surplus credits	8,130	11,493
Other payables	17,107	15,073
	246,488	**232,951**

Pre-2000 subclass surplus credits — Since WorkSafeBC implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million) have had their surpluses abated back to them through the rate-setting process (generally over a five-year period commencing in 2000). This distribution ended in 2004, except for a few remaining employers who will continue to receive credits until 2009, due to the application of a 1999 decision by the Panel of Administrators. The decision limited the amount of surplus that can be distributed to the individual employers in a year to 50 percent of their annual assessment. The abatement accrual includes interest earned on the subclass surpluses.

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	285,872	5,673,205	305,167	1,293,636	174,864	519,244	8,751,988	8,765,301
Add: Claim costs								
Current year's injuries	275,707	270,588	31,035	280,397	54,560	211,364	1,123,651	1,039,381
Prior years' injuries	4,984	35,766	43,364	131,610	(8,532)	32,233	239,425	77,360
	280,691	306,354	74,399	412,007	46,028	243,597	1,363,076	1,116,741
Less: Claim payments made:								
Current year's injuries	155,609	2,029	1,213	98,356	1,940	107,583	366,730	335,670
Prior years' injuries	122,990	369,136	62,048	168,447	54,818	110,334	887,773	828,999
	278,599	371,165	63,261	266,803	56,758	217,917	1,254,503	1,164,669
Add: Non-recurring expenses:								
Discount rate adjustment	6,612	320,991	43,169	92,310	2,527	21,755	487,364	—
Pre-June 30, 2002 permanent disability pensions adjustment	—	—	—	—	—	—	—	(113,360)
Mortality rate adjustment	—	—	—	—	—	—	—	147,975
	6,612	320,991	43,169	92,310	2,527	21,755	487,364	34,615
Balance — December 31	**294,576**	**5,929,385**	**859,474**	**1,531,150**	**166,661**	**566,679**	**9,347,925**	**8,751,988**
Represented by:								
Provision for unfinalled claims	287,964	2,030,829	74,736	1,438,840	164,134	544,924	4,541,427	4,606,532
Pension awards, capitalized values	—	3,577,565	741,569	—	—	—	4,319,134	4,110,841
Provision for non-recurring expenses	6,612	320,991	43,169	92,310	2,527	21,755	487,364	34,615
	294,576	**5,929,385**	**859,474**	**1,531,150**	**166,661**	**566,679**	**9,347,925**	**8,751,988**

- In 2008, WorkSafeBC reviewed economic and investment trends and concluded that the future investment and inflation long-term outlook had become less optimistic than previously expected. As a result, WorkSafeBC lowered the valuation net discount rate used to calculate its liabilities from 3.5 percent per annum to 3.0 percent per annum. The net discount rate is the difference between the assumed future long-term investment rate and the future long-term inflation rate. This change resulted in a $487-million increase in liabilities in 2008.
- On May 5, 2006, the Supreme Court of B.C. clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. It ruled that deteriorations of permanent injuries that first occurred prior to June 30, 2002, should be adjudicated under the former provisions of the Act, which meant, among other things, that these deteriorations were to be compensated through lifetime pensions rather than pensions ending at age 65. The total financial impact of this decision was originally estimated at $185 million in 2006. The estimate was reduced by $113 million in 2007, based on the claim experience in 2007. The effect of the change in estimate was recognized in 2007.
- In 2007, WorkSafeBC revised its mortality assumptions to reflect the continuing longer life spans of injured workers who receive pension benefits. The effect of this change was to increase the claim costs by $148 million in 2007.

The following is a reconciliation of the claim benefit liabilities:

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	285,872	5,673,205	805,167	1,293,636	174,864	519,244	8,751,988	8,765,301
Add:								
Provision for current year's injuries	120,098	268,559	29,822	182,041	52,620	103,781	756,921	703,711
Accretion expense for prior years' liabilities	14,118	338,794	47,913	75,024	9,233	28,953	514,035	497,123
Prior years' claim costs experience higher (lower) than expected	(9,134)	(303,028)	(4,549)	56,586	(17,765)	3,280	(274,610)	(419,763)
Provision for non-recurring expenses	6,612	320,991	43,169	92,310	2,527	21,755	487,364	34,615
	131,694	625,316	116,355	405,961	46,615	157,769	1,483,710	815,686
Less:								
Payments for prior years' injuries	122,990	369,136	62,048	168,447	54,818	110,334	887,773	828,999
Balance — December 31	**294,576**	**5,929,385**	**859,474**	**1,531,150**	**166,661**	**566,679**	**9,347,925**	**8,751,988**

Accretion expense for prior years' liabilities represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	280,691	278,599	2,092	252,717	258,514	(5,797)
Long-term disability	306,354	371,165	(64,811)	294,622	357,381	(62,759)
Survivor benefits	74,399	63,261	11,138	65,425	61,876	3,549
Health care	412,007	266,803	145,204	273,111	241,474	31,637
Vocational rehabilitation	46,028	56,758	(10,730)	35,497	52,549	(17,052)
	1,119,479	1,036,586	82,893	921,372	971,794	(50,422)
Claim administration	243,597	217,917	25,680	195,369	192,875	2,494
	1,363,076	1,254,503	108,573	1,116,741	1,164,669	(47,928)
Non-recurring expenses	487,364	—	487,364	36,514	1,899	34,615
	1,850,440	**1,254,503**	**595,937**	**1,153,255**	**1,166,568**	**(13,313)**

Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
General Reserve	250,000	250,000
Capital Adequacy Reserve	869,000	890,000
	1,409,000	**1,430,000**

See Note 2(e) for descriptions of the reserves.

Claims covered by the special reserves are charged to current operations. The following are the claim costs relating to special reserves. These costs are included in the total claim costs in Notes 9 and 10.

	Contingent	Disaster	Enhancement	Total	Total
Special reserves costs					
Short-term disability	—	—	33,021	33,021	28,741
Long-term disability	—	—	34,878	34,878	36,800
Health care	—	—	22,843	22,843	19,473
Vocational rehabilitation	—	—	6,847	6,847	5,768
	—	**—**	**97,589**	**97,589**	**90,782**

Rateable classes	1,214,533	1,186,146
Abatement of excess surplus	—	(86,252)
Abatement of pre-2000 subclass surplus	(4,611)	(5,604)
Interest on pre-2000 subclass surplus	(474)	(1,735)
Partners Program financial incentives	(4,537)	(3,105)
Penalties	5,427	5,959
Capping of rate changes and amortization of balance		
Capping of rate changes	23,650	44,351
Amortization of balance	(163,744)	(90,984)
	(140,094)	(46,633)
	1,070,244	1,048,776
Levy for injury-reduction initiatives	15,235	14,588
Rateable employers	1,085,479	1,063,364
Self-insured employers (Note 13)	55,840	18,532
	1,141,319	**1,081,896**

Abatement of excess surplus — In 2007, WorkSafeBC distributed surplus rebates to employers in six rate groups that had excess rate group balances compared with the normal levels in all other rate groups. The distribution reduced the surpluses for these six rate groups to levels comparable with other rate groups in a surplus position.

Pre-2000 subclass surplus — See Note 8 for description.

Partners Program financial incentives — The Partners in Injury and Disability Prevention program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems.

Capping of rate changes and amortization of balance — The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each appropriate year.

Current premium income	**55,840**	**18,532**
Claim costs		
Short-term disability	12,229	11,516
Long-term disability	14,540	(1,108)
Survivor benefits	3,771	1,976
Health care	15,864	4,634
Vocational rehabilitation	(167)	745
Claim administration	6,815	4,219
	53,052	21,982
Share of special reserves costs	2,827	3,001
Operating costs	7,545	7,507
	63,424	32,490
Less:		
Share of investment income	(7,051)	(13,958)
Share of prior year investment income	(533)	—
	55,840	**18,532**

Included in the benefit liabilities is $165 million (2007: $167 million) of provision for unfinalled claims for self-insured employers (except for the federal government). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's unfunded liability.

	Prevention	Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Total	Total
Salaries and employee benefits	37,975	128,796	26,318	52,570	10,123	255,782	242,381
Amortization of capital assets	2,245	4,285	15,642	7,594	738	30,504	27,800
WCAT and advisors	—	—	—	—	27,533	27,533	26,787
Office expenses and communication	1,849	5,594	10,486	1,570	355	19,854	17,818
Consulting fees	774	912	7,792	10,030	129	19,637	14,581
Building expenses	121	1,565	8,881	906	44	11,517	10,510
Travel and vehicle expenses	3,045	2,766	365	474	39	6,689	6,469
Sessional doctor fees	—	5,223	—	—	21	5,244	4,470
Personal computer leases	503	1,308	702	472	87	3,072	3,191
Other administration expenses	2,584	9,818	1,129	17,912	324	31,767	27,435
Injury-reduction initiatives	14,868	—	—	367	—	15,235	14,588
Cost recoveries	(523)	(19,850)	(7,620)	(13,515)	—	(41,508)	(42,670)
	63,441	140,417	63,695	78,380	39,393	385,326	353,360
Less:							
Claim administration payments	—	108,457	32,914	49,022	27,524	217,917	192,875
	63,441	**31,960**	**30,781**	**29,358**	**11,869**	**167,409**	**160,485**

The table below shows the total compensation for senior executive management of WorkSafeBC.

	Salary	Benefits	Bonus	Other earnings	Total	Total
President and Chief Executive Officer	280,923	42,553	49,400	12,026	384,902	381,157
Chief Financial Officer	227,846	34,820	36,000	11,626	310,292	273,653
Vice-President, Worker and Employer Services	227,846	34,226	36,000	11,126	309,198	270,970
Vice-President, Policy, Investigations, and Review	227,846	33,832	36,000	22,126	319,804	278,179
(Retired) Vice-President, Human Resources and Facilities (until June 2008)	100,384	18,902	31,500	41,495	192,281	240,348
Vice-President, Human Resources and Facilities (from June 2008)	99,122	13,776	—	14,293	127,191	—
	1,163,967	**178,109**	**188,900**	**112,692**	**1,643,668**	**1,444,307**

Note that there were two changes to WorkSafeBC's senior executive management in 2008: the Assistant Chief Financial Officer assumed the role of Chief Financial Officer in January 2008, replacing the retired Chief Financial Officer; and, a new Vice-President was appointed to replace the retired Vice-President, Human Resources and Facilities, in June 2008.

Bonuses were awarded based on the achievement of corporate goals and performance targets (see page 26), excluding the performance targets related to improved adjudicative decision making.

Benefits include medical benefits, dental benefits, group life insurance, disability plans, and the employer's share of contributions or payments to the WorkSafeBC employee pension plan, Canada Pension Plan, and employment insurance.

Other earnings include payout of unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered in the employee benefit plans.

WorkSafeBC has several employee benefit plans that provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2006. In addition, WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2006, funding valuation results were used to derive the projected liabilities at year-end.

The total net actuarial gains or losses are amortized when the amount exceeds 10 percent of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The net actuarial gains or losses are amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the plan.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the following table.

	Pension plan		Other benefit plans	
	2008	2007	2008	2007
Discount rate	6.75%	5.35%	6.75%	5.35%
Expected long-term rate of return on plan assets	6.75%	5.35%	—	—
Rate of compensation increase/health care cost increase	3.75%	2.35%	5.75%	4.35%
Average remaining service period of active employees expected to receive benefits under the plans	10.0 years	10.0 years	10.0 years	10.0 years

The rates shown in the 2008 column were effective as of December 31, 2008. The rates were applied in determining the benefit plan balances at December 31, 2008. The rates shown in the 2007 column were effective from December 31, 2007, to December 30, 2008. The 2007 rates were applied in determining the 2008 benefit plan expenses.

NOTE 16 — CONTINUED

Aggregated information about WorkSafeBC's employee benefit plans is summarized below.

	Pension plan		Other benefit plans	
	2008	2007	2008	2007
Accrued benefit obligation — December 31	(822,209)	(867,852)	(118,425)	(105,018)
Fair value of plan assets — December 31	897,217	949,095	—	—
Funded status — plan surplus (deficit) — December 31	**75,008**	**81,243**	**(118,425)**	**(105,018)**
Unamortized net actuarial loss — December 31	35,267	31,632	20,819	16,858
Unamortized transitional asset — December 31	(26,675)	(40,014)	—	—
Accrued benefit asset (liability) — December 31	**83,600**	**72,861**	**(97,606)**	**(88,160)**
Employee contributions	12,433	11,117	—	—
Employer contributions	16,354	14,750	—	—
Benefit plan expenses				
Actual loss (return) on plan assets	54,709	(41,154)	—	—
Actuarial gain (loss) on plan assets	(105,562)	(4,166)	—	—
Expected return on plan assets	(50,853)	(45,320)	—	—
Employer current service cost	23,120	22,012	5,123	4,611
Interest cost on accrued benefit obligation	46,687	42,300	—	—
Amortization of:				
Transitional asset	(13,339)	(13,339)	—	—
Net actuarial loss	—	—	636	797
Net benefit plan expenses	**5,615**	**5,653**	**5,759**	**5,408**

The accrued benefit asset relating to WorkSafeBC's pension plan is included in accounts receivable (Note 4), while the accrued benefit liability relating to its other employee benefit plans is included in accounts payable (Note 8). In 2008, an interest cost of $5,702 (2007: $4,935) on WorkSafeBC's accrued benefit obligation relating to its retirees' post employment medical benefits was offset by the interest earned by the portion of the Accident Fund that has been internally restricted for the purpose of supporting this financial obligation.

Unamortized net actuarial loss — The unamortized net actuarial loss includes actuarial gains during 2008 on the accrued benefit obligation of $101,927 (2007: $25,620) for the pension plan, and actuarial loss of $4,596 (2007: $38) for other benefit plans.

Transitional asset — Pension plan assets and liabilities were revalued at January 1, 2000, from smoothed values to market values. The revaluation was due to a change in Canadian accounting standards for employee future benefits. The revaluation created a surplus of asset values over liabilities of $146,726 at January 1, 2000. The surplus (transitional asset) is being amortized over 11 years, which was the expected remaining service life of active employees at the time of the revaluation. To December 31, 2008, $120,051 has been amortized, leaving an unamortized transitional asset balance of $26,675, which will be fully amortized by 2010.

NOTE 17 — LEASE COMMITMENTS

(IN THOUSANDS)

WorkSafeBC has several operating leases relating to computer equipment and office space. The future lease payments expected to be charged against operating costs over the next five years are as follows:

2009	7,523
2010	7,384
2011	7,053
2012	7,059
2013	7,011
	36,030

NOTE 18 — CONTINGENT LIABILITIES

INTEREST POLICY

A class action has been brought against WorkSafeBC which could result in a change in WorkSafeBC's interest policy, implemented in 2001, for retroactive benefit payments. Prior to 2001, WorkSafeBC paid interest on retroactive short-term and long-term disability payments. Since the 2001 implementation of the new interest policy, interest is paid only where it is demonstrated that a WorkSafeBC staff error necessitated the retroactive payment. WorkSafeBC appealed the certification of the class action and the matter is pending ruling. Based on information presently available, the likely outcome of the appeal is not determinable. The amount of any potential loss cannot be reasonably estimated until the interest policy is amended, if necessary, and will be recorded at the time of that determination.

MENTAL STRESS

Several challenges have been made to Section 5.1 of the *Workers Compensation Act* requesting WorkSafeBC to compensate for mental stress claims. These challenges are all awaiting decision by the Court of Appeal. Based on information presently available, the likely outcome of the appeals is not determinable. The amount of any potential loss cannot be reasonably estimated until legislation is amended, if necessary, and will be recorded at the time of that determination.

CHRONIC PAIN

There are several challenges to WorkSafeBC's policy regarding chronic pain and the limitation of pension awards to 2.5 percent. Based on information presently available, the likely outcome of these actions is not determinable. The amount of any potential loss cannot be reasonably estimated until the policy is amended, if necessary, and will be recorded at the time of that determination.

LEGAL PROCEEDINGS

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes that the organization has strong defenses against these claims and that no financial provisions for them are appropriate or required.

NOTE 19 — CAPITAL MANAGEMENT

(STHOUSANDS)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income (loss), and reserves. Its objectives when managing capital are as follows:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the capital adequacy reserve will be built up or drawn down.
- To mitigate against the risks in the investment portfolio and to reduce volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and thus lower long-term employer assessment costs, but they are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium rate volatility arising from investment in equities.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives are in line with WorkSafeBC's strategic objective to ensure long-term financial sustainability of the workers' compensation system.

WorkSafeBC maintains a capital adequacy reserve and has set a target capital adequacy reserve level [see Note 2(e)] to achieve the capital management objectives noted above. The table below shows the total assets as a ratio of the target asset requirement level, which is based on the total liabilities, plus the target capital adequacy reserve level, plus other reserves. WorkSafeBC manages its capital on the basis of achieving 100 percent of the target asset requirement in the long term.

	2008	2007
Total assets	11,082,322	12,567,547
Target asset requirement level	12,579,413	12,179,939
Percent of target assets achieved	88%	103%

NOTE 20 — RELATED PARTY TRANSACTIONS ($ THOUSANDS)

WorkSafeBC is accountable to the public through the government of B.C., but is separate and distinct from government. It is not part of the B.C. government reporting entity, and is not considered a related party for financial reporting purposes.

Transactions with various B.C. government-controlled ministries, agencies, and Crown corporations are at prevailing market prices and are settled on normal trade terms.

NOTE 21 — SUBSEQUENT EVENT

The value of WorkSafeBC's investments in pooled funds and real return bonds, all of which are recorded at market value, decreased by $354 million from December 31, 2008, to February 28, 2009, due to the continuing decline in investment markets subsequent to year-end.

NOTE 22 — COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the current year's presentation.

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC's financial statements.

The 2008 liabilities shown below reflect an assumed real rate of return of 3.0 percent, i.e., the amount by which the investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI). This is a 0.5 percent reduction from the 3.5 percent assumption used in 2007. The effect of this change is to increase the 2008 liabilities by $487 million.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2009. A net interest rate of 4.0 percent was used to discount pensions. This rate allows for a real rate of return of 3.0 percent per year, over the long term, and takes into account that indexing will be provided at CPI minus 1.0 percent. Apart from the reduction in the net discount assumption, these liabilities have been computed using the assumptions used for the valuation as at December 31, 2007.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2008 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities.

The methods used in calculating the liabilities were substantially the same as those employed in the previous valuation as at December 31, 2007.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2008, for the future benefit expenditures of WorkSafeBC in respect of injuries to December 31, 2008.

($ THOUSANDS)

	Pension awards, capitalized values	Provision for unfinalled claims	Total
Benefit liabilities			
Short-term disability	—	294,576	294,576
Long-term disability	3,761,279	2,168,106	5,929,385
Survivor benefits	780,714	78,760	859,474
Health care	—	1,531,150	1,531,150
Vocational rehabilitation	—	166,661	166,661
Claim administration	—	566,679	566,679
	4,541,993	**4,805,932**	**9,347,925**

Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

March 6, 2009

Ten-year summary of consolidated financial statements
Schedule A –- Unaudited (smoothed or funding basis)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
ASSETS										
Receivables	514,471	515,804	542,501	551,121	508,035	458,703	427,728	405,547	407,531	369,830
Portfolio investments	10,940,350	10,617,981	9,820,522	8,948,692	8,320,084	7,879,525	7,499,966	7,899,120	7,686,438	7,108,502
Capital assets	167,414	165,054	148,559	136,068	139,686	142,180	150,906	162,037	170,501	167,365
	11,622,235	**11,298,839**	**10,511,582**	**9,635,881**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**
LIABILITIES AND NET FUND SURPLUS (DEFICIENCY)										
Payables and accruals	246,488	232,951	215,476	231,073	201,604	202,895	195,854	172,253	244,919	94,500
Benefits liabilities	9,347,925	8,751,988	8,765,301	8,576,574	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660
Total liabilities	9,594,413	8,984,939	8,980,777	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160
Reserves	1,409,000	1,430,000	840,000	440,000	260,000	260,000	260,000	290,000	290,000	502,000
Unappropriated balance (unfunded liability)	618,822	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969	133,537
Funded (deficit) position	2,027,822	2,313,900	1,530,805	828,234	354,178	7,863	(146,712)	424,164	710,969	635,537
	11,622,235	**11,298,839**	**10,511,582**	**9,635,881**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
INCOME										
Premiums	1,141,319	1,081,896	1,267,238	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331	880,415
Investments	590,452	1,014,939	893,520	631,741	522,072	495,937	(223,798)	585,716	785,429	858,409
	1,731,771	**2,096,835**	**2,160,758**	**1,871,518**	**1,697,161**	**1,573,320**	**795,452**	**1,502,094**	**1,657,760**	**1,738,824**
EXPENSES										
Claim costs										
Short-term disability	280,691	252,717	217,624	209,774	205,206	199,508	253,019	308,329	338,276	341,832
Long-term disability	306,354	294,622	376,384	504,081	459,094	691,555	738,273	742,605	653,882	524,182
Survivor benefits	74,399	65,425	58,781	87,844	70,996	76,370	85,885	69,463	55,977	43,665
Health care	412,007	273,111	258,307	281,873	299,763	170,345	237,623	221,349	230,031	264,187
Vocational rehabilitation	46,028	35,497	3,627	1,550	15,544	34,492	130,490	117,330	106,037	77,839
Claim administration	243,597	195,369	209,870	180,936	165,262	191,662	178,985	189,618	135,898	
Extraordinary adjustments to revalue liabilities[a]	487,364	36,514	(85,269)	—	—	(75,546)	(414,674)	—	(75,357)	—
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705
Operating and prevention costs										
Operating	321,885	296,998	283,778	258,983	256,780	257,411	278,134	250,775	227,768	205,104
Prevention	63,441	56,362	47,546	41,849	44,006	38,452	40,418	44,067	45,714	47,419
Less: Claim administration payments	(217,917)	(192,875)	(182,999)	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)	0
	167,409	160,485	148,325	131,404	134,981	130,359	156,727	140,205	137,584	252,523
	2,017,849	**1,313,740**	**1,458,187**	**1,397,462**	**1,350,846**	**1,418,745**	**1,366,328**	**1,788,899**	**1,582,328**	**1,504,228**
SURPLUS (DEFICIENCY) FROM OPERATIONS	**(286,078)**	**783,095**	**702,571**	**474,056**	**346,315**	**154,575**	**(570,876)**	**(286,805)**	**75,432**	**234,596**
Unappropriated balance (unfunded liability) — January 1	883,900	690,805	388,234	94,178	(252,137)	(406,712)	34,164	420,969	133,537	68,941
Withdrawal from (appropriation to) Future Claim Administration Reserve	—	—	—	—	—	—	—	212,000	—	—
Withdrawal from (appropriation to) Latent Occupational Disease Reserve	—	—	—	—	—	—	—	—	—	(150,000)
Withdrawal from (appropriation to) Earthquake Disaster Reserve	—	—	—	—	—	—	—	—	—	(20,000)
Withdrawal from (appropriation to) Research Reserve	—	—	—	(30,000)	—	—	30,000	—	—	—
Withdrawal from (appropriation to) Capital Adequacy Reserve	21,000	(590,000)	(150,000)	(150,000)	—	—	—	—	—	—
Withdrawal from (appropriation to) General Reserve	—	—	(250,000)	—	—	—	—	—	—	—
Unappropriated balance (unfunded liability) — December 31	**618,822**	**883,900**	**690,805**	**388,234**	**94,178**	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**

Note: *The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a The extraordinary adjustments to revalue liabilities in 2008 relates to the lowering of the net discount rate from 3.5 percent to 3.0 percent. The extraordinary adjustments to revalue liabilities for 2007 relate to an adjustment of a non-recurring expense in 2006 stemming from a Supreme Court decision on benefit eligibility (see page 82), and to a revision of mortality assumptions. The extraordinary adjustments for 2000–2003 relate to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
SUPPLEMENTARY FINANCIAL INFORMATION ($ thousands)										
Capital asset expenditures	39,860	45,893	50,085	40,373	26,578	19,548	18,060	25,583	35,225	51,455
Special reserves costs (included in claim costs)	97,589	91,222	94,455	101,215	112,060	154,363	118,234	120,774	98,946	92,443
Claim costs:										
Current-year's injuries	1,123,651	1,039,381	972,291	932,334	893,825	841,047	933,688	990,697	968,515	850,988
Prior-years' injuries	239,425	77,360	152,302	333,724	322,040	522,885	690,587	657,997	476,229	400,717
Non-recurring costs	487,364	36,514	185,269	—	—	(75,546)	(414,674)			
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601[a]	1,648,694	1,444,744	1,251,705
Claim costs:										
Payments[a]	1,254,503	1,166,568	1,121,135	1,101,507	1,073,492	1,048,195	1,050,440	1,086,991	1,051,822	878,106
Change in benefit liabilities	595,937	(13,313)	188,727	164,551	142,373	240,191	159,171	561,703	392,922	373,599
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705
STATISTIC										
Claims first reported[b]	168,408	173,391	172,850	164,272	156,764	152,070	156,774	169,491	181,630	175,782
Claims accepted[c]	128,442	135,453	131,118	127,811	121,440	120,470	119,727	130,323	140,020	136,741
Claims disallowed[d]	12,298	11,525	12,097	10,634	9,432	9,031	9,609	10,753	11,211	9,724
Claims rejected[e]	1,918	1,943	2,084	1,967	1,768	1,591	1,798	1,728	2,144	1,889
Claims disallowed as a proportion of claims reported (%)[f]	7.3%	6.6%	7.0%	6.5%	6.0%	5.9%	6.1%	6.3%	6.2%	5.5%
Injury rate (number of short-term disability claims per 100 person-years of employment)	2.96	3.06	3.12	3.09	3.06	3.05	3.24	3.64	3.87	4.05
Short term duration of claims (days paid per claim)[g]										
— in injury year	27.9	26.6	25.9	26.3	26.9	26.5	26.2	26.8	26.2	26.5
— total of all years	48.1	46.3	45.4	47.3	48.1	46.7	47.2	49.4	49.6	51.5
Prevention inspection reports issued[h]	32,959	29,893	25,904	20,249	15,780	16,162	23,787	28,475	30,992	34,764
Prevention worksite activity hours[i]	268,448	251,392	218,069	205,764	202,125	223,321	273,149	285,718	277,859	263,349
Employers registered	200,782	197,190	188,164	184,239	179,257	173,008	171,583	169,650	166,501	164,963
Average premium rate ($)										
— published rate										
base rate	1.56	1.69	1.90	1.97	2.08	2.05	2.03	2.02	2.31	—
surplus abatement, transition capping, and experience rating imbalance	(0.04)	(0.07)	(0.07)	(0.11)	(0.15)	(0.13)	(0.13)	(0.23)	(0.40)	—
collection rate	1.52	1.62	1.83	1.86	1.93	1.92	1.90	1.79	1.91	—
— actual final collection rate	1.51	1.54	1.89	1.99	1.99	1.94	1.88	1.78	1.73	1.88
Investment return of portfolio (%)										
— total return (market yield)	(8.20)	4.4	11.6	12.5	10.3	13.4	(2.4)	(0.9)	5.1	9.8
— accounting return (yield on average value of portfolio)	5.5	10.2	9.4	7.2	6.4	6.4	(2.8)	7.5	10.6	12.6
— real return (yield in excess of inflation)[k]	2.9	7.8	8.5	4.6	4.1	4.8	(6.0)	5.6	7.8	10.3
Percent funded (ratio of assets to total liabilities) (%)	121	126	117	109	104	100	98	105	109	109

Note: *Refinements in measurement approach have resulted in minor changes to previously reported figures in some cases. The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a The 1997 benefit payments include approximately $209 million paid to widows in respect of the retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

b Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported. The counts of reported claims in this table have been revised from those that appeared in the 2007 annual report: the claim consolidation process results in some duplicate claim numbers from past years being eliminated.

c Claims accepted include claims accepted for health-care-only benefits.

d Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

e Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to WorkSafeBC.

f Reported claims that are not accepted, disallowed, or rejected are either suspended claims or phantom claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.

g Duration numbers for all 10 years exclude days paid as vocational rehabilitation days. The durations include only short-term disability days.

h These figures represent the number of inspection reports issued by prevention officers in each respective year, and include both provincial inspections and federal Workplace Hazardous Materials Information System (WHMIS) inspections. Inspection reports represent either new or follow-up prevention activity and most inspection reports are the result of a worksite visit.

i Prevention activity hours include both Worker and Employer Services and Investigations officer time. These hours represent the number of hours spent in each respective year on inspections, education, consultations, investigations, and other industry and worker services combined. Prevention activity hours include travel time.

j The published base rate is the rate announced at the time the assessment rates are set. The published collection rate consists of the published base rate reduced by three elements — the pre-2000 subclass surplus abatement, transition capping of rate increases from the old to new classification structure, and an allowance for the imbalance in the experience rating program. The transition capping element has largely disappeared since 2005. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.

k Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Ten-year summary of consolidated financial statements
Schedule A — Unaudited (smoothed or funding basis)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
ASSETS										
Receivables	514,471	515,804	542,501	551,121	508,035	458,703	427,728	405,547	407,531	369,830
Portfolio investments	10,940,350	10,617,981	9,820,522	8,948,692	8,320,084	7,879,525	7,499,966	7,899,120	7,686,438	7,108,502
Capital assets	167,414	165,054	148,559	136,068	139,686	142,180	150,906	162,037	170,501	167,365
	11,622,235	**11,298,839**	**10,511,582**	**9,635,881**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**
LIABILITIES AND NET FUND SURPLUS (DEFICIENCY)										
Payables and accruals	246,488	232,951	215,476	231,073	201,604	202,895	195,854	172,253	244,919	94,500
Benefits liabilities	9,347,925	8,751,988	8,765,301	8,576,574	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660
Total liabilities	9,594,413	8,984,939	8,980,777	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160
Reserves	1,409,000	1,430,000	840,000	440,000	260,000	260,000	260,000	290,000	290,000	502,000
Unappropriated balance (unfunded liability)	618,822	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969	133,537
Funded (deficit) position	2,027,822	2,313,900	1,530,805	828,234	354,178	7,863	(146,712)	424,164	710,969	635,537
	11,622,235	**11,298,839**	**10,511,582**	**9,635,881**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
INCOME										
Premiums	1,141,319	1,081,896	1,267,238	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331	880,415
Investments	590,452	1,014,939	893,520	631,741	522,072	495,937	(223,798)	585,716	785,429	858,409
	1,731,771	**2,096,835**	**2,160,758**	**1,871,518**	**1,697,161**	**1,573,320**	**795,452**	**1,502,094**	**1,657,760**	**1,738,824**
EXPENSES										
Claim costs										
Short-term disability	280,691	252,717	217,624	209,774	205,206	199,508	253,019	308,329	338,276	341,832
Long-term disability	306,354	294,622	376,384	504,081	459,094	691,555	738,273	742,605	653,882	524,182
Survivor benefits	74,399	65,425	58,781	87,844	70,996	76,370	85,885	69,463	55,977	43,665
Health care	412,007	273,111	258,307	281,873	299,763	170,345	237,623	221,349	230,031	264,187
Vocational rehabilitation	46,028	35,497	3,627	1,550	15,544	34,492	130,490	117,330	106,037	77,839
Claim administration	243,597	195,369	209,870	180,936	165,262	191,662	178,985	189,618	135,898	
Extraordinary adjustments to revalue liabilities[a]	487,364	36,514	185,269	—	—	(75,546)	(414,674)	—	(75,357)	—
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705
Operating and prevention costs										
Operating	321,885	296,998	283,778	258,983	256,780	257,411	278,134	250,775	227,768	205,104
Prevention	63,441	56,362	47,546	41,849	44,006	38,452	40,418	44,067	45,714	47,419
Less: Claim administration payments	(217,917)	(192,875)	(182,999)	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)	0
	167,409	160,485	148,325	131,404	134,981	130,359	156,727	140,205	137,584	252,523
	2,017,849	**1,313,740**	**1,458,187**	**1,397,462**	**1,350,846**	**1,418,745**	**1,366,328**	**1,788,899**	**1,582,328**	**1,504,228**
SURPLUS (DEFICIENCY) FROM OPERATIONS	**(286,078)**	**783,095**	**702,571**	**474,056**	**346,315**	**154,575**	**(570,876)**	**(286,805)**	**75,432**	**234,596**
Unappropriated balance (unfunded liability) — January 1	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941
Withdrawal from (appropriation to) Future Claim Administration Reserve	—	—	—	—	—	—	—	—	212,000	—
Withdrawal from (appropriation to) Latent Occupational Disease Reserve	—	—	—	—	—	—	—	—	—	(150,000)
Withdrawal from (appropriation to) Earthquake Disaster Reserve	—	—	—	—	—	—	—	—	—	(20,000)
Withdrawal from (appropriation to) Research Reserve	—	—	—	(30,000)	—	—	30,000	—	—	—
Withdrawal from (appropriation to) Capital Adequacy Reserve	21,000	(590,000)	(150,000)	(150,000)	—	—	—	—	—	—
Withdrawal from (appropriation to) General Reserve	—	—	(250,000)	—	—	—	—	—	—	—
Unappropriated balance (unfunded liability) — December 31	**618,822**	**883,900**	**690,805**	**388,234**	**94,178**	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**

Note: *The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a The extraordinary adjustments to revalue liabilities in 2008 relates to the lowering of the net discount rate from 3.5 percent to 3.0 percent. The extraordinary adjustments to revalue liabilities for 2007 relate to an adjustment of a non-recurring expense in 2006 stemming from a Supreme Court decision on benefit eligibility (see page 82), and to a revision of mortality assumptions. The extraordinary adjustments for 2000–2003 relate to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
SUPPLEMENTARY FINANCIAL INFORMATION ($ thousands)										
Capital asset expenditures	39,860	45,893	50,085	40,329	26,599	19,548	18,050	25,583	35,225	51,555
Special reserves costs (included in claim costs)	97,589	91,222	94,455	101,215	112,060	154,263	114,234	120,774	98,946	92,443
Claim costs:										
Current-year's injuries	1,123,651	1,039,381	972,291	932,334	893,825	841,047	933,688	990,697	968,515	850,988
Prior years' injuries	239,425	77,360	152,302	333,724	322,040	522,885	690,587	657,997	476,229	400,717
Non-recurring costs	487,364	36,514	185,269	—	—	(75,546)	(414,674)			
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705
Claim costs:										
Payments[a]	1,254,503	1,166,568	1,121,135	1,101,507	1,073,492	1,048,195	1,050,430	1,086,991	1,051,822	878,206
Change in benefit liabilities	595,937	(13,313)	188,727	164,551	142,373	240,191	159,171	561,703	392,922	373,499
	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705
STATISTICS										
Claims first reported[b]	168,408	173,391	172,850	164,272	156,764	152,070	156,774	169,491	181,630	175,782
Claims accepted[c]	128,442	135,453	131,118	127,811	121,440	120,470	119,727	130,323	140,020	136,741
Claims disallowed[d]	12,298	11,525	12,097	10,634	9,432	9,031	9,609	10,753	11,211	9,724
Claims rejected[e]	1,918	1,943	2,084	1,967	1,768	1,591	1,798	1,728	2,144	1,889
Claims disallowed as a proportion of claims reported (%)[f]	7.3%	6.6%	7.0%	6.5%	6.0%	5.9%	6.1%	6.3%	6.2%	5.5%
Injury rate (number of short-term disability claims per 100 person-years of employment)	2.96	3.06	3.12	3.09	3.06	3.05	3.24	3.64	3.87	4.05
Short-term duration of claims (days paid per claim)[g]										
— in injury year	27.9	26.6	25.9	26.3	26.9	26.5	26.2	26.8	26.2	26.5
— total of all years	48.1	46.3	45.4	47.3	48.1	46.7	47.2	49.4	49.6	51.5
Prevention inspection reports issued[h]	32,959	29,893	25,904	20,249	15,780	16,162	21,787	28,475	30,992	34,264
Prevention worksite activity hours[i]	268,448	251,392	218,069	205,764	202,125	223,321	273,149	285,718	277,859	263,349
Employers registered	200,982	197,190	188,164	184,239	179,257	173,008	171,583	169,650	166,501	164,963
Average premium rate ($):										
— published rate										
base rate	1.56	1.69	1.90	1.97	2.06	2.05	2.03	2.02	2.31	—
surplus abatement, transition capping, and experience rating imbalance	(0.04)	(0.07)	(0.07)	(0.11)	(0.15)	(0.13)	(0.13)	(0.23)	(0.40)	—
collection rate	1.52	1.62	1.83	1.86	1.91	1.92	1.90	1.79	1.91	—
— actual final collection rate	1.51	1.54	1.89	1.99	1.99	1.94	1.88	1.78	1.73	1.88
Investment return of portfolio (%)										
— total return (market yield)	(8.20)	4.4	11.6	12.5	10.3	13.4	(2.4)	(0.9)	5.1	9.8
— accounting return (yield on average value of portfolio)	5.5	10.2	9.4	7.2	6.4	6.4	(2.8)	7.5	10.6	12.6
— real return (yield in excess of inflation)[k]	2.9	7.8	8.5	4.6	4.1	4.8	(6.0)	5.6	7.8	10.3
Percent funded (ratio of assets to total liabilities) (%)	121	126	117	109	104	100	98	105	109	109

Note: *Refinements in measurement approach have resulted in minor changes to previously reported figures in some cases. The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a The 1997 benefit payments include approximately $209 million paid to widows in respect of the retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

b Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported. The counts of reported claims in this table have been revised from those that appeared in the 2007 annual report: the claim consolidation process results in some duplicate claim numbers from past years being eliminated.

c Claims accepted include claims accepted for health-care-only benefits.

d Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

e Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to WorkSafeBC.

f Reported claims that are not accepted, disallowed, or rejected are either suspended claims or phantom claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.

g Duration numbers for all 10 years exclude days paid as vocational rehabilitation days. The durations include only short-term disability days.

h These figures represent the number of inspection reports issued by prevention officers in each respective year, and include both provincial inspections and federal Workplace Hazardous Materials Information System (WHMIS) inspections. Inspection reports represent either new or follow-up prevention activity and most inspection reports are the result of a worksite visit.

i Prevention activity hours include both Worker and Employer Services and Investigations officer time. These hours represent the number of hours spent in each respective year on inspections, education, consultations, investigations, and other industry and worker services combined. Prevention activity hours include travel time.

j The published base rate is the rate announced at the time the assessment rates are set. The published collection rate consists of the published base rate reduced by three elements — the pre-2000 subclass surplus abatement, transition capping of rate increases from the old to new classification structure, and an allowance for the imbalance in the experience rating program. The transition capping element has largely disappeared since 2005. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.

k Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee strive for the best possible balance between the funding and the support of WorkSafeBC's strategic goals. However, WorkSafeBC's goals are so broad — and the responsibility for promoting them so widely shared between and among various departments and divisions — that it is difficult to identify the costs of fostering specific goals and objectives.

In recent years, WorkSafeBC has become an increasingly integrated and interdependent organization, with most of its programs and initiatives relating to more than one of the organization's strategic goals. As such, it might be misleading to allocate budget dollars based on specific organizational goals or functions.

WorkSafeBC's prevention initiatives offer just such an example. A new prevention program, for instance, may contribute to the goal of improving occupational health and safety in the workplace, but would also support the goal of maintaining financial sustainability and stability, and influence other goals as well. Furthermore, the same initiative would likely involve significant contributions from more than one division.

WorkSafeBC's annual expenditures can be broken down based on its general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page). But such a system of classification would not be exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective.

The relationship between costs and performance outcomes

Although the areas of expenditure on the next page are linked with groups of strategic goals, changes in costs do not necessarily imply subsequent changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve; but, in the short term, costs may rise while apparent outcomes are falling. In terms of claim administration, an excessive reduction in administrative expenditures might increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention — $63 million or 3.1 percent of total costs in 2008	**Goal #1**: Foster the improvement of occupational health and safety in workplaces **Goal #4**: Maintain financial sustainability and stability	Based on two million full-time equivalent work years and an average of 1,700 hours of paid work in a year, prevention expenditures accounted for $0.02 per paid hour worked in B.C. in 2008 ($0.02 in 2007)
Claim costs — $1,633 million or 80.9 percent of total costs in 2008	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs accounted for approximately $0.44 per paid hour worked in B.C. in 2008 ($0.26 in 2007)
Customer service and infrastructure — $204 million or 10.1 percent of total costs in 2008	**Goal # 2**: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3**: Improve cost-effectiveness and accountability of the services we deliver **Goal #4**: Maintain financial sustainability and stability	Customer service costs represented about $0.06 per paid hour worked in B.C. in 2008 ($0.05 in 2007)
Corporate services (financial management, policy development, governance, corporate services, etc.) — $78 million or 3.9 percent of total costs in 2008	**Goal # 2**: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3**: Improve cost-effectiveness and accountability of the services we deliver **Goal #4**: Maintain financial sustainability and stability	Corporate service costs represented about $0.02 per paid hour worked in B.C. in 2008 ($0.02 in 2007)
Review Division, external appeals, and workers' and employers' advisor services — $39 million or 2.0 percent of total costs in 2008	**Goal # 2**: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3**: Improve cost-effectiveness and accountability of the services we deliver	External service costs represented about $0.01 per paid hour worked in B.C. in 2008 ($0.01 in 2007) Workers and employers benefit from the advisory services provided by the Ministry of Labour and Citizens' Services and the appeal services offered by the Workers' Compensation Appeal Tribunal (both services are funded by WorkSafeBC) — either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and advisor systems were about $95 per claim file handled by the workers' compensation system in 2008 ($90 in 2007). Costs associated with the internal review process were about $40 per claim file handled in 2008 ($37 in 2007).

Appendix B: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it's difficult to make direct comparisons between WorkSafeBC's performance results and the results from other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases WorkSafeBC's performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9, all comparisons are made using 2007 data, which is the most current information available at the time of publication.

Key objective #1:

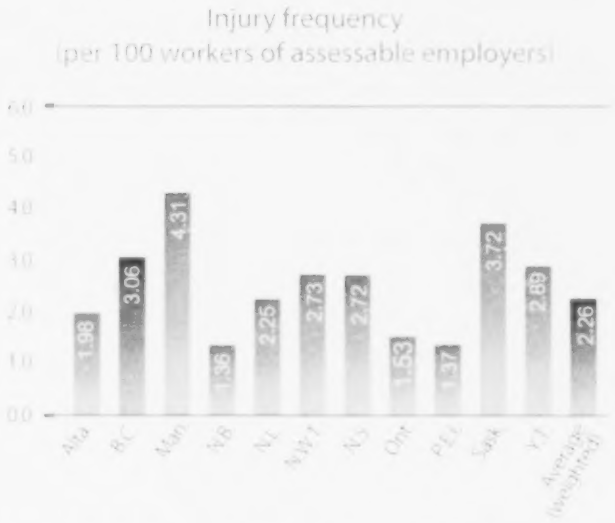
Reduce the provincial injury rate

2008 target: 3.04 (or less) injuries per 100 person-years of employment

2008 result: 2.96 injuries per 100 person-years of employment (see page 27)

2009–2011 targets: 3.00 or less, 3.00 or less, 3.00 or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces, because injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces, as published in December 2008 (based on 2007 source data).



Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

(Data not available for Quebec)

Key objective #2:

Reduce the average short-term claim duration

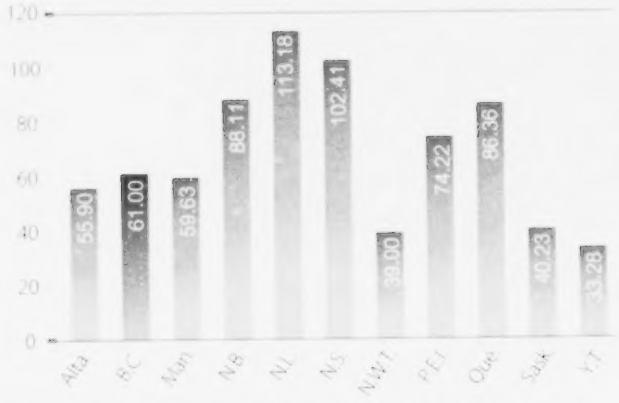
2008 target: 46.3 days

2008 result: 48.1 days (see page 30)

2009–2011 targets: 48.5 days, 47 days or less, 45 days or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of claim duration using a standardized calculation. The AWCBC's measurement of claim duration differs from the measurement used by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation, while WorkSafeBC's measure does not. As well, the AWCBC measure expresses claim duration using the number of calendar days, whereas WorkSafeBC's measure expresses duration using work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, because each province experiences claims of a shorter or longer duration based on that province's particular mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for Canadian provinces, as published in December 2008 (based on 2007 source data).

Average composite duration of claims (in days)



Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

(Data not available for Ontario)

Key objective #3:

Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4:

Improve timeliness of initial short-term disability payments

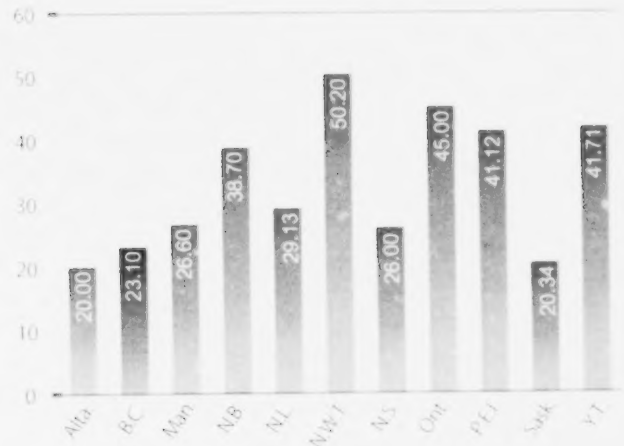
2008 target: 18.0 days

2008 result: 17.8 days (see page 32)

2009–2011 targets: 17.5 days, 17.0 days, 17.0 days

Related comparison: The AWCBC publishes an annual, province-by-province comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart below reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in December 2008 (based on 2007 source data).

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

(Data not available for Quebec)

Key objective #5:

Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6:

Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Appendix B: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it's difficult to make direct comparisons between WorkSafeBC's performance results and the results from other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases WorkSafeBC's performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9, all comparisons are made using 2007 data, which is the most current information available at the time of publication.

Key objective #1:

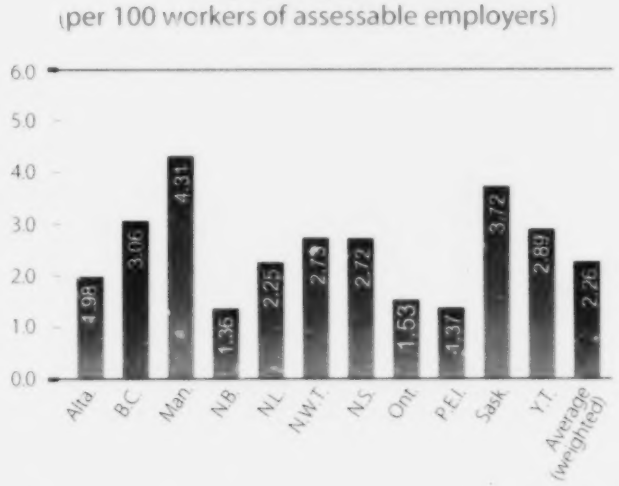
Reduce the provincial injury rate

2008 target: 3.04 (or less) injuries per 100 person-years of employment

2008 result: 2.96 injuries per 100 person-years of employment (see page 27)

2009–2011 targets: 3.00 or less, 3.00 or less, 3.00 or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces, because injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces, as published in December 2008 (based on 2007 source data).



Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

(Data not available for Quebec)

Key objective #2:

Reduce the average short-term claim duration

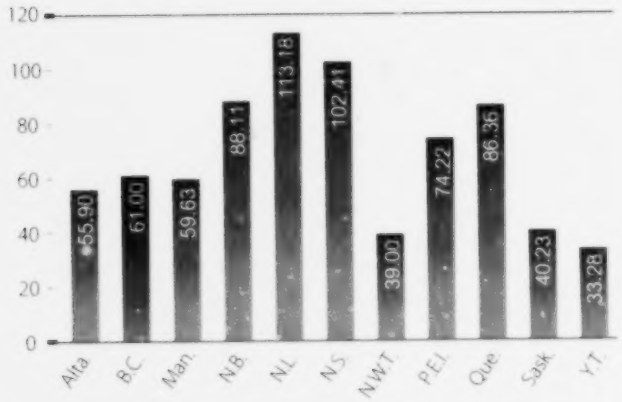
2008 target: 46.3 days

2008 result: 48.1 days (see page 30)

2009–2011 targets: 48.5 days, 47 days or less, 45 days or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of claim duration using a standardized calculation. The AWCBC's measurement of claim duration differs from the measurement used by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation, while WorkSafeBC's measure does not. As well, the AWCBC measure expresses claim duration using the number of calendar days, whereas WorkSafeBC's measure expresses duration using work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, because each province experiences claims of a shorter or longer duration based on that province's particular mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for Canadian provinces, as published in December 2008 (based on 2007 source data)

Average composite duration of claims (in days)



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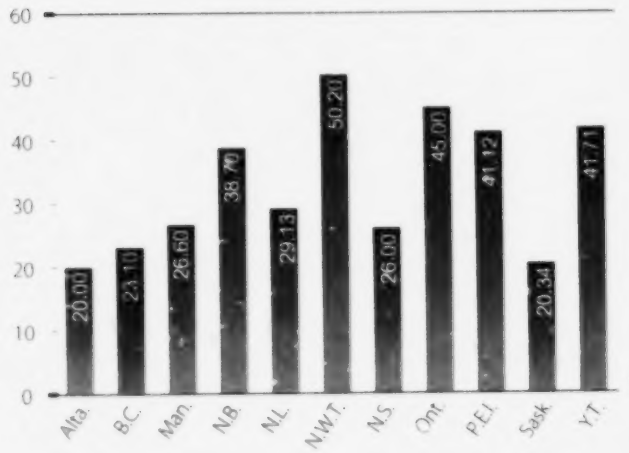


Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

(Data not available for Quebec)

Key objective #5:

Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6:

Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7:

Raise public confidence

2008 target: 82 percent

2008 result: 85 percent (see page 37)

2009–2011 targets: 83 percent, 84 percent, 85 percent

Related comparison: To track public confidence, WorkSafeBC hires Ipsos Reid to survey B.C. residents four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As is the case with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence the results of the WorkSafeBC survey.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar measure to determine its reputation with the communities it serves. Several provincial public and private organizations have conducted surveys similar to the one conducted by WorkSafeBC, however, these results are no longer available to the public. Nonetheless, similar surveys conducted by Ipsos Reid Canada report results in a range from a high of 95 percent to a low of 55 percent among participating groups.

Key objective #8:

Achieve 100 percent of the target asset level

2008 target: n/a (this key objective/performance indicator was established in 2008)

2008 result: 88 percent (see page 39)

2009–2011 targets: 88 percent, 88 percent, 88 percent

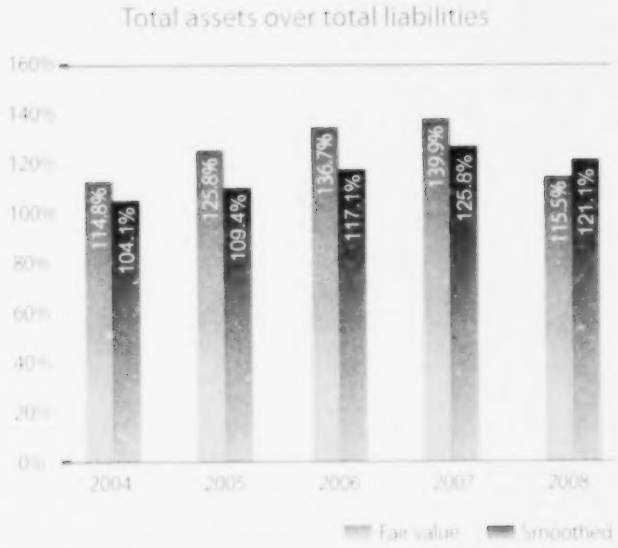
Related comparison: In 2008, WorkSafeBC modified its funding objective, which now consists of a target asset level that includes a Capital Adequacy Reserve calculated on the basis of insurance industry regulatory standards. For the purposes of comparison with other provinces, the most comparable metric remains the funded ratio, which the AWCBC calculates for each Canadian workers' compensation system as total assets divided by total liabilities. The following chart shows the average funding level of each provincial workers' compensation system, published in December 2008, stated in terms of its market value and based on year-end 2007 data.

* This result reflects updated data from WorkSafeBC following the release of the AWCBC's key statistical measures.

Source: AWCBC Key Statistical Measures 2007, http://www.awcbc.org/common/assets/ksms/2007ksms.pdf

The following chart shows WorkSafeBC's funding level using the smoothed investment accounting method (used by WorkSafeBC in rate setting — see Financial Context on page 12). WorkSafeBC's funding level using the fair market value investment accounting method is also shown for comparative purposes.

As described in the Financial Context, smoothed investment accounting refers to an approach to workers' compensation accounting which was established in the early 1990s and adopted by all workers' compensation systems in Canada. This approach amortizes realized and unrealized investment gains and losses over a five-year period, dampening the effect of market volatility on premium rates.



Prior-period figures have been restated (see Note 3 — Prior-period adjustment, page 73).

Key objective #9:

Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll

2008 target: $1.55

2008 result: $1.51 (see page 41)

2009–2011 targets: $1.52, $1.55, $1.57

Related comparison: The average premium rates for workers compensation systems in other jurisdictions in 2008, based on published reports and announced projections, were $1.32 in Alberta, $2.26 in Ontario, and $2.14 in Quebec. The following table lists the average premium rates in B.C. and the rates for these other jurisdictions during the past 10 years.

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	1.81	0.16	9%
Alberta	1.53	0.31	20%
Ontario	2.23	0.08	4%
Quebec	2.11	0.16	8%

Source: provincial workers' compensation annual reports

The table shows that B.C. rates, in comparison to those of other provinces, have generally been competitive and stable over the past decade.

Key objective #10:

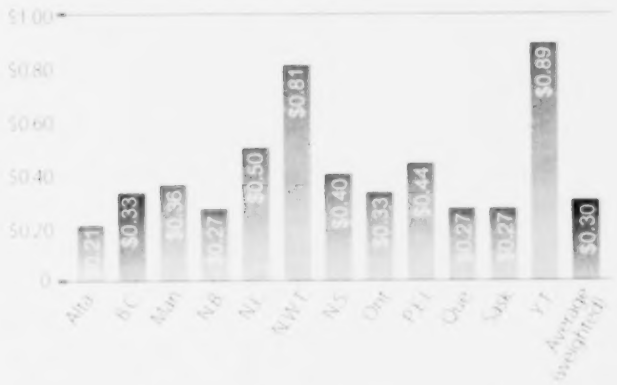
Control administration costs (per $100 of assessable payroll)

2008 target: $0.34

2008 result: $0.34 (see page 43)

2009–2011 targets: $0.34, $0.33, $0.34

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in December 2008 (based on year-end 2007 data).



Source: AWCBC Key Statistical Measures 2007, www.awcbc.org/common/assets/ksms/2007indicatorratios.pdf

Key objective #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

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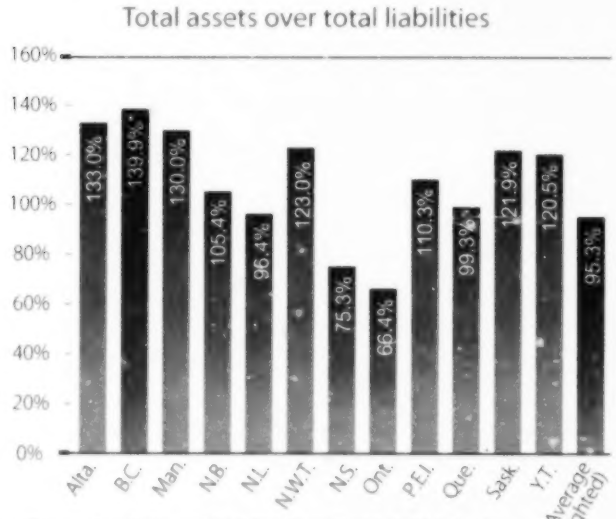

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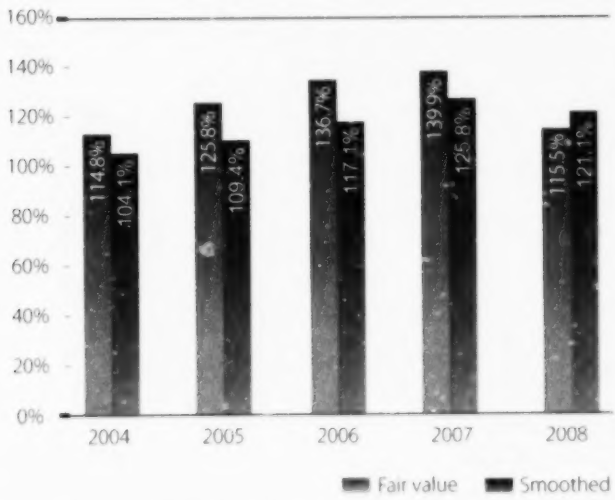
Total assets over total liabilities



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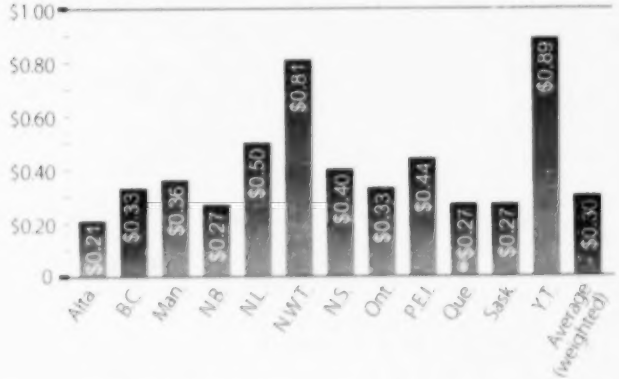
Administration costs per $100 of assessable payroll



Source: AWCBC Key Statistical Measures 2007, www.awcbc.org/common/assets/ksms/2007indicatorratios.pdf

Key objective #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

Appendix C: Operating Environment

WorkSafeBC operates in a complex and changing environment, in which both local events and global trends can have a ripple effect. The number of identified risks to the health and safety of workers and to the operations of workers' compensation insurers continues to increase. To respond to these challenges, WorkSafeBC must remain vigilant in defining workplace health-and-safety risks and designing strategies to mitigate them. WorkSafeBC's Board of Directors and Senior Executive Committee are committed to providing thorough risk-management practices, continual environmental scanning, and rigorous business continuity planning.

The following section highlights some of the major risk factors WorkSafeBC faced in 2008, and the uncertainties the organization will continue to face over the next three years.

External factors

The economy and labour force

During 2008, the downturn of global economic markets adversely affected many organizations, including WorkSafeBC.

In this current context, the dramatic fluctuations in the value of equities and the Canadian dollar are unprecedented, and have directly affected WorkSafeBC's funding level, reserve requirements, and the evaluation of its investment portfolio (see Management and Discussion Analysis, pages 50 to 63, and Financial Context on page 12).

The indirect effects of this global recession are pervasive in B.C. The collapse of the U.S. housing market, for example, continues to discourage housing starts, which, in turn, is diminishing employment opportunities in B.C.'s forestry sector, and shrinking demand for its lumber resources.

Similarly, the tightening credit market encountered in late 2008 ultimately curtailed condominium construction in B.C. — causing a decline in construction jobs and lowering the demand for commodities, such as building supplies, furnishings, appliances, and design services.

Nonetheless, in 2008, B.C.'s economy remained somewhat sheltered from the full impact of the global economic downturn. This can be largely attributed to investment in construction, including the upcoming 2010 Olympic and Paralympic Winter Games. There is an ongoing need to create new or renovated facilities in B.C. — not all related to the Olympics — and to support major infrastructure projects, including highway and rapid transit construction. These significant construction initiatives continue to sustain B.C.'s economy and promote economic growth, and some are projected to do so through 2009.

For WorkSafeBC, a failing global economy has far-reaching implications. While investment returns are likely to remain at levels lower than those witnessed in recent years, the need for prevention and compensation services will likely remain constant or continue to rise. These growing demands will increase the pressure on WorkSafeBC's revenues and funding sources.

Even with an injury rate that remains relatively steady, a low rate of employment growth, and a consistent mix of industry, a high number of workers are expected to incur injuries. These workers will require a range of services from WorkSafeBC. Based on past experience, when employment growth is flat, claim duration tends to increase. Moreover, during times of economic restraint, employee training, equipment maintenance, and investments in safety or safer technology often decline — conditions that impede the organization's efforts to prevent workplace injury and illness and create challenges for its role as a health-and-safety regulator.

According to Statistics Canada, B.C.'s unemployment rate rose to 5.3 percent in December 2008 and about 2.3 million workers remained employed — the same as in 2007. On a seasonally adjusted basis, nearly two-thirds of British Columbia's working-age population participated in the labour force, down slightly from 2007.

The mix of industry, age, and gender in the workforce significantly influences the rate of injury. If injury rates in sectors with higher-than-average injury rates remain constant, more employment in those industries could translate into more injuries, and greater human and financial costs. And while the increased income from premiums offsets the financial costs for the compensation system, no one can make up for the human toll of injuries to workers and their families.

If unemployment rises in 2009, as many analysts expect it will, injured workers and people with disabilities may have fewer opportunities to return to work. A lower rate of employment might lead to claims of a longer duration and increased expenditures in vocational rehabilitation. At this point, however, demand in some sectors of the economy continues to outstrip the provincial supply of labour.

When the domestic supply fails to meet the demand for labour or for specialized skills, immigration increases, and employers

are more likely to hire foreign workers. In 2008, the number of temporary foreign workers in B.C. continued to climb in industries such as agriculture, sports and recreation, hospitality, health care, and construction. During this period, WorkSafeBC participated in providing information and guidance on labour-supply issues to delegations from Mexico and Vietnam.

Despite the impact of the recession that began in late 2008, by 2011, employment in B.C. is expected to increase by a net of 2.3 percent over 2008. In addition, job openings resulting from permanent attrition (deaths and retirements) are projected at approximately 195,000 over the same period. As the workforce ages, demographic trends in North America and beyond suggest an increasing shortage of skilled labour, which might restrain output and hinder economic growth.[11]

These factors will produce the strongest labour-market pressures in a generation. The province will see an increase in the number of workers who are new to the workforce, or at least, to B.C. workplaces. As a result, these workers may be exposed to risks they have never experienced or do not fully understand. Clearly, B.C. is experiencing a growing need for effective communication, orientation, supervision, and training for workers and employers, a trend expected to continue in sectors with a high turnover or shortages in skilled labour.

Market volatility

Most claims for workers' compensation are for short-duration wage loss. However, each year, a small portion of claims come from workers who have been seriously injured and will require financial assistance and medical care for a longer period of time — sometimes for the rest of their lives. These claims create a long-term funding liability for workers' compensation systems.

To provide lifelong care to these workers and fund their claims beyond the year of their injuries, WorkSafeBC invests a portion of its employer premiums and must manage the value of these assets to match the liability of all active claims. This process must be maintained, in some cases, for more than 50 years.

When the market is volatile, it can affect the value of the funds invested by the workers' compensation system — creating a gap between assets and liabilities. In the short term, fluctuations in market values create imbalances that can be managed without jeopardizing the system's sustainability. Prolonged periods of loss, however, can affect the system's capacity to generate the returns it needs to meet long-term financial commitments from claims. See the Financial Context (page 12) for a summary of WorkSafeBC's investment strategy and performance in 2008.

In 2008, global financial markets were volatile, moving toward a significant decrease in overall value. An analysis of past economic recessions and recoveries shows that market volatility is greatest as the economy slips into formal recession and then emerges out of it. The average bear market lasts approximately a year and a half, with the longest lasting about two and a half years. For the purposes of the 2009 to 2011 projections, WorkSafeBC's investment assumptions — made toward the end of 2008 — reflect conservative estimates of gains over that term.

WorkSafeBC's Board of Directors and Senior Executive Committee closely monitor economic activity and the overall health of the workers' compensation system. This allows WorkSafeBC to respond to changing conditions as it did in 2008, when, under extremely difficult market conditions, the organization's investment losses were significantly lower than the average losses for Canadian institutional balanced funds[4] (see Financial Context, page 12). In order to lessen the potentially negative effects of short-term market volatility on compensation entitlements or critical prevention programs, the organization bases its decision making on its long-term goals for stability and sustainability.

Injury rate and severity

In 2008, the provincial injury rate dropped to the lowest level on record in B.C. In spite of the decrease, the financial and human costs associated with work-related injuries are unacceptable for all workplace stakeholders: B.C. workers, their families and employers, and WorkSafeBC.

Every injury is serious. But some injuries are — or have the potential to be — life-altering or life-threatening events. The duration of an injured worker's claim and the degree of the disability are strong indicators of injury severity (see page 29, Serious injury rate).

WorkSafeBC has a moral responsibility to place utmost importance on the prevention of these most serious injuries. So, in 2008, the organization developed a serious injury rate measure (described in key objective/performance indicator #1, pages 27 to 29), enabling WorkSafeBC to quantify the magnitude of life-altering injuries.

The serious injury rate is persistent in some sectors. Yet WorkSafeBC's investigations confirm that the number of incidents and injuries can be reduced through greater compliance with safe work procedures and attention to the human factors that contribute to higher injury rates, such as fatigue. Thus,

WorkSafeBC will continue to reinforce its compliance mandate through enforcement, education, and consultation.

As well, the severity of an occupational injury generally increases the subsequent length of absence from work, and long absences from the workplace can contribute to the permanent disability rate. In an effort to limit the onset of long-term disabilities, WorkSafeBC will therefore continue to focus on workers' early and safe return to work through its case management and vocational rehabilitation programs.

Occupational and environmental disease

In recent years, the organization has witnessed a significant increase in fatality claims from workers' exposure to disease-causing agents. This growing trend can be partly attributed to increased public awareness, improved detection, and increased reporting regarding occupational disease. At the same time, the incidence of newly emerging and expanding occupational diseases could significantly affect the cost and volume of claims, as well as adding to WorkSafeBC's adjudicative and administrative challenges.

An increasing number of workers have become debilitated through previous exposure to asbestos. And research indicates the incidence of disease associated with work-related asbestos exposure is under-reported, or is attributed to causes other than work. Research also points to a work-related source for many other cancers. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Both research literature and other workers' compensation jurisdictions have raised concerns about other occupational respiratory diseases, such as occupationally induced or aggravated asthma, multiple chemical sensitivities, and infectious diseases, such as tuberculosis. Also, new substances being used in workplaces, such as nanoscale particles, may adversely affect workers' health in the long term.

Ongoing research will likely confirm that many other work and environmental agents contribute to disease, and this research will mitigate the risks of exposure in the workplace. As private disability plans and public health care systems continue to experience financial pressures, and as WorkSafeBC receives increasing claims for occupational disease, the need to identify the origins of disease attains greater urgency. Where possible, WorkSafeBC will endeavour to inform workers and employers of the risk of work-related disease.

The emergence or recognition of an occupational disease has important implications for both WorkSafeBC's insurance and prevention mandates. It requires the organization to develop prevention strategies to protect workers and educate employers, to consider imposing standards or practices within the industry in question, and to collect and allocate funds to compensate diseased workers and their families.

Capacity and access within the health care system

The proliferation of ever-growing surgical wait times in the health care system increases the human, societal, and financial costs of work-related injuries. Although WorkSafeBC prefers to use the public health care system whenever possible, the organization also accelerates workers' access to health care through private health care facilities where necessary. WorkSafeBC is collaborating with the University of British Columbia's Centre for Health Services and Policy Research to examine the benefits to recovery and return-to-work outcomes of using the private system. Descriptive data from the preliminary research phase of this project are available online at www.chspr.ubc.ca/files/publications/2007/knee-epicoh.pdf.

Internal factors

Alignment and staffing

During 2008, WorkSafeBC realigned its operations to address the organization's strategic objectives for safer, healthier workplaces, and improved customer service, primarily in the area of claims.

WorkSafeBC operates a number of divisions that provide frontline service to workers, employers, and health care providers. Worker and Employer Services is the organization's largest division, responsible for claims, rehabilitation, account management, assessment, and prevention services. The organization also operates an investigations department that focuses on serious workplace incidents involving death, serious injury, or near misses.[4] To meet its operational demands and priorities, WorkSafeBC adjusts its staffing levels and the assignment of employees as required. During 2008, for example, WorkSafeBC reassigned its account managers to other functions in order to assist with claim operations and the transition to Claims Management Solutions (CMS) (see page 24).

To ensure the organization bases its decisions on each case in accordance with the laws and its policies, the Training and

Education department develops a curriculum and delivers training specific to WorkSafeBC's mandate. As a further assurance of quality decision making, senior staff from the Review division provide an internal "second look" at these decisions as an expeditious alternative to formal WCAT appeals. This decision making process is consistent with WorkSafeBC's strategic commitment to continually strive for the best possible service to its clients.

In addition, the organization has redirected a significant proportion of its efforts and its key personnel toward establishing the CMS initiative. While CMS will create new opportunities for WorkSafeBC employees, it will also result in the elimination of 162 positions over the next three years. WorkSafeBC continues to confront challenges associated with these and other factors, including the need to adjust staffing levels to meet economic growth, as well as the organization's operational needs, and the development of new systems. In the future, the organization must also face emerging challenges, such as newly identified workplace risks, an influx of new workers into a particular industry, or increases in particular types of injuries.

In 2008, WorkSafeBC increased its staff complement by 60 FTEs (full-time equivalents) over its 2007 levels. Of the 2,939 employees (2,802 FTEs) who worked for WorkSafeBC, 2,783 (2,710 FTEs) worked full-time, 114 (69 FTEs) worked part-time, and 42 (23 FTEs) were involved in job-sharing arrangements.

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework requires annual reviews to assess the risks facing the organization.

In 2008, economic threats presented the greatest urgency for organizations worldwide. WorkSafeBC has long recognized the possibility of financial markets experiencing a severe economic downturn and has mitigated this threat through a prudent, long-term investment philosophy, and the establishment of its Capital Adequacy Reserve. This reserve is designed to protect the benefits of workers and maintain stable rates for employers during periods of financial upheaval.

WorkSafeBC has accepted the possibility of a global pandemic and outbreaks of infectious diseases, such as SARS, as a potential threat to its operations and its stakeholders. To prepare for any infectious disease outbreaks, WorkSafeBC, like every employer, has a duty to assess the risks and implement strategies to protect its workers. As a regulatory and prevention agency, WorkSafeBC also has a responsibility to inform workers and employers of their duties, rights, and obligations in the face of such threats. Through its participation in international and provincial committees, WorkSafeBC seeks to bring the best practices into its own planning processes and to share these strategies with other groups.

Other WorkSafeBC contingency planning initiatives include the documentation of systems, back-up training, and succession planning, consisting of an analysis of retirement patterns and the identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. WorkSafeBC is also reviewing its recruitment, retention, and post-retirement rehiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Information technology and systems

WorkSafeBC relies on information technology to successfully fulfill its mandate. The security of personal records, the reliability of data, and the robustness of high-tech systems are essential to its operations. The failure of the security system or a breakdown in technology poses a significant risk to WorkSafeBC and its stakeholders.

In 2008, WorkSafeBC continued to develop its infrastructure through technological initiatives, such as mobile information resources for prevention officers and a broad range of computer systems used by the province-wide Teleclaim service (see page 104).

WorkSafeBC continues to invest in technology that will support more efficient claim management and contribute to more timely research. These research initiatives will, in turn, enable the organization to detect trends and improve the focus and effectiveness of its prevention activities.

WorkSafeBC's Board of Directors has committed significant capital (approximately $88 million) to create the CMS initiative, which will launch in 2009. The projected financial benefits of the new claim management program include ongoing annual administrative savings in the range of $30–$34 million, as well as an average annual actuarial adjustment of $6.3 million, resulting in a payback period of approximately three years from the date of implementation. In early 2009, an independent consultant concluded that the expected benefits from the project were reasonable and achievable. This consultant continues to monitor the progress of CMS and to report the findings to WorkSafeBC's Board of Directors.

The success of CMS depends on two critical factors: the system's capacity for broad-based, daily use and the organization's acceptance of its use. To promote this sense of ownership over the new system, WorkSafeBC employees have been involved in its development and have been regularly apprised of its status.

Privacy and fraud safeguards

Fraud — internal and external — as well as illegal or unauthorized activities represent significant risks to any insurance-based enterprise. As guardians of sensitive information, the officers of WorkSafeBC hold an important position of trust with their stakeholders.

WorkSafeBC considers any threat to the trust it has in its employees or to the integrity of the system a serious breach. To safeguard internal systems, the organization has created audit trails and security mechanisms to guard against the inadvertent or intentional release of information. As well, staff members are made aware of their responsibilities as trusted members of the organization.

The requirement to fully disclose payroll and injury information remains a cornerstone of WorkSafeBC's commitment to a fair and honest worker protection plan. Each employer is required to register with WorkSafeBC, accurately report payroll accounts, pay premiums toward workers' compensation, and ensure that all work-related injuries and serious incidents are reported in a timely manner. Workers have specific obligations as well: reporting injuries; refraining from engaging in unsafe work practices; and, if injured, engaging in rehabilitation and the return-to-work process when it's safe to do so. Audit and investigation processes are in place to ensure all parties are participating effectively in WorkSafeBC's system.

To better address future threats of fraud and abuse, WorkSafeBC commissioned a report on fraud prevention strategies. That report, received in 2008, is being used to improve the methods and operations in addressing the risk of fraud.

Teleclaim

In 2007, WorkSafeBC completed the province-wide implementation of Teleclaim, a service centre that injured workers can call to report injuries and receive personal assistance from specially trained staff to help them with their recovery and return to work.

Teleclaim now handles approximately 37 percent of all new time-loss claims. The service is designed to meet the top service priorities workers previously identified through WorkSafeBC's Voice of the Customer program, and to streamline injury reporting, disability management services, and the processing of wage-loss payments. The service is designed to eliminate much of the frustration and anxiety associated with a paper-based system and to facilitate earlier return-to-work planning. In 2008, the service was expanded to provide callers with real-time interpretation services in more than 170 languages. A detailed listing of Teleclaim's interpretation services is featured in *WorkSafeBC Statistics 2008*, available online at WorkSafeBC.com.

Voice of the Customer

An important vision for WorkSafeBC in 2010 is to become an organization even better known for its outstanding customer service. However, WorkSafeBC must understand the needs of its customers before it's truly able to meet them. To expand knowledge of its customers, WorkSafeBC has established a partnership with the market research company Synovate to develop the Voice of the Customer (VOC) program — a stakeholder feedback strategy designed to identify the areas of service considered most important to workers and employers. Through surveys and focus groups, the VOC program allows WorkSafeBC to measure the critical human interactions that drive stakeholders' perceptions of the organization. As a result, WorkSafeBC is better able to tailor its business decisions to address the needs of workers and employers and improve service across all areas of the organization. More information on the VOC program can be found in *WorkSafeBC Statistics 2008*, available online at WorkSafeBC.com.

Appendix D: Comparing Current Key Objective/ Performance Indicator #8 with Prior Year Measure

As described in key objective/performance indicator #8, WorkSafeBC's indicator to measure financial strength changed in 2008, for the second time in two years. This is unusual for the organization; typically, key objective/performance indicators have remained very stable. However, in 2007, in conjunction with the implementation of an approach to determining capital adequacy targets modelled on the OSFI methodology (see the sidebar on page 39), WorkSafeBC presented the key objective/ performance indicator in terms of the Capital Adequacy Reserve, a move that many stakeholders found to be confusing. In order to provide complete reporting, this appendix provides the 2008 results on the 2007 basis, so that stakeholders can compare results year to year.

Note that in 2006 and earlier, WorkSafeBC used a funded ratio measure, based on the percentage of assets over liabilities on a smoothed investment accounting basis. The smoothed accounting method is still used in establishing premiums (see Financial Context, page 12). The primary reason for WorkSafeBC moving from this funded ratio measure was to incorporate the requirements for a Capital Adequacy Reserve, as described on page 39.

Capital Adequacy Reserve target

The target that WorkSafeBC originally set for 2008 was based on the percentage of the Capital Adequacy Reserve (CAR) achieved to date. This is the ratio of the actual CAR divided by the target CAR.

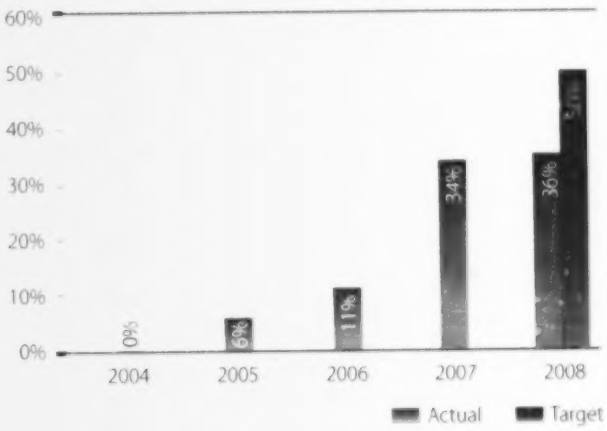
Performance highlights

For 2008, WorkSafeBC set its target CAR funding level at 50 percent; however, in 2008, the actual smoothed accounting results showed an operating loss rather than a surplus. This operating loss can be attributed to several unanticipated factors, including lower than anticipated investment returns, a reduction in the valuation net discount rate from 3.5 percent to 3.0 percent, and higher than expected claim costs, particularly for health care.

As a result of this loss, there was no 2008 contribution to the CAR. Rather, the Board of Directors approved a $21-million withdrawal from the CAR to limit the expected increase in the 2010 assessment rates. This withdrawal of funds produced a 2008 CAR funding level of 36 percent. A funding level of 36 percent is below the 50 percent target level, but above the 34 percent 2007 level.

The increase from 34 percent to 36 percent occurred because of a decrease in the CAR target, from $2,655 million in 2007 to $2,445 million in 2008, as the 2008 drop in equity values reduced the reserve required according to the OSFI methodology. The table below shows the actual and target CAR levels.

Percentage of the target Capital Adequacy Reserve achieved



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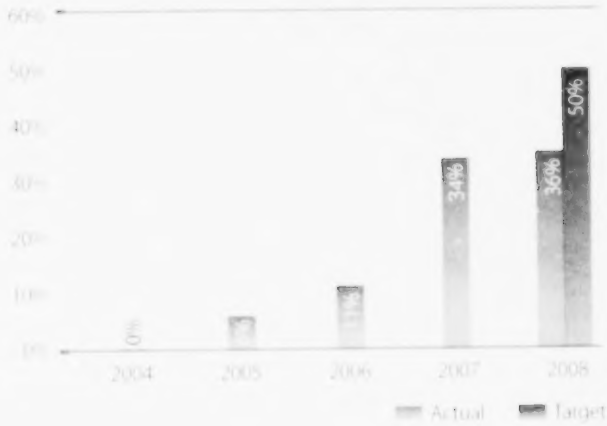

Senior Executive Committee

David Anderson

President and Chief Executive Officer

Steve Barnett

Vice-President, Finance and Chief Financial Officer

Ed Bates

General Counsel

Pam Cohen

Vice-President, Human Resources and Facilities Division

Brian Cooper (on leave)

Chief Information Officer

Roberta Ellis

Vice-President, Investigations and Review, Research, Policy and Regulation Development, Corporate Communications, and Planning

Brian Erickson

Corporate Controller

Diana Miles

Vice-President, Worker and Employer Services Division

Ian Munroe

Executive Director, Worker and Employer Services, Operations

Anne Naser

Chief Information Officer (acting)

Betty Pirs

Executive Director, Worker and Employer Services, Prevention

Online viewing

For an electronic copy of this report, visit our web site at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's *2008 Annual Report and 2009–2011 Service Plan*, contact Scott McCloy, Director of Communications, at 604 276-3113 or scott.mccloy@worksafebc.com.

Endnotes

1. The Accident Fund is the total sum of monies collected for the payment of compensation to injured workers, and for other expenses stipulated in Section 36 of the *Workers Compensation Act*.
2. The investment return of negative 8.2 percent is based on the market value of the investment portfolio at December 31, 2008, and is the market return reported by WorkSafeBC's portfolio manager, bcIMC, in its year-end report. This rate of return is different from the investment results that would be calculated from the consolidated financial statements (beginning on page 66), where certain investments are based on consolidated values and recorded at cost.
3. A total of 110,108 workers, survivors, dependants, and estates received one or more forms of financial compensation, while health-care-only benefits were paid to suppliers and providers of health care for another 98,146 individuals not receiving any other form of compensation.
4. According to surveys of Canadian institutional pooled funds 2008 performance conducted by Mercer Consulting, Bank of New York Mellon, and Aon Consulting.
5. While the information contained in this annual report reflects the organization's actual performance for the period of January 1, 2008, through to December 31, 2008, all material fiscal assumptions and policy decisions made up to March 19, 2009, have been considered in the development of this publication.
6. While WorkSafeBC changed one of its key objective/performance indicators during 2008 (see key objective/performance indicator #8, page 39), 10 of the 11 key objective/performance indicators in this report have been used as a group since 2003. Most of the organization's key objective/performance measures have been used for much longer and can be found in WorkSafeBC annual reports going back 10 years or more.
7. Employment in B.C. is distributed across many industrial sectors, each with its own injury rate and premium cost structure. The proportion of the employed workforce and associated economic activity produced in these sectors — the mix of industry — rarely remains constant over time. As the proportion of economic activity shifts among these industries, it may change the kinds of services WorkSafeBC delivers and the results achieved by those services.
8. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada definition (see Appendix B, page 96). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims that occurred in 2008 and were first paid that year (or within the first quarter of 2009) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from, and employment related to, deposit-class employers are excluded from this calculation.
9. A reduction in the injury rate of just 1.0 percent (from 3.03 to 3.00, for example) translates to approximately 600 fewer workers who suffer wage-loss injuries, $11 million less in claim costs, and 29,000 productive work days gained by the economy.
10. If employment in a sector that has a relatively high injury rate — construction, for example — grows, while employment in a lower-risk sector, such as retail, declines, the provincial injury rate could still increase, even if the injury rate remains the same or drops in both sectors.
11. These 2008 injury rate estimates are preliminary, as of January 2009, and are subject to estimation error and change. They take into consideration the employment estimates from the Statistics Canada Labour Force Survey and the Statistics Canada Survey of Employment, Payroll and Hours.
12. December 2008: This decrease of 0.1 (3.3 percent) is statistically significant at a 95 percent confidence level.
13. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into three levels: sectors, subsectors, and classification units. The classification structure comprises seven sectors, 24 subsectors, and 619 classification units.
14. This measure will help WorkSafeBC identify — and focus prevention activities on — the industries and risks most likely to severely harm workers. Over time, the application of a serious injury rate may help the organization identify new risks and assess the effectiveness of its safety programs or initiatives. More information on the serious injury rate is available in *WorkSafeBC Statistics 2008*, available online at WorkSafeBC.com.
15. Health-care-only claims are excluded from the calculation of the serious injury rate.
16. To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including, first, the number of days paid in the year for STD injuries that occurred in the year, divided by the number of STD injuries that occurred in the year, and, second, the number of days paid in the year for STD injuries that occurred in the prior year, divided by the number of STD injuries that occurred in the prior year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components with respect to the days paid in the year for injuries that occurred more than four years prior. The calculation includes the days arising from short-term disability payments and excludes the days arising from rehabilitation payments.
17. The 2007 annual report stated a result of 81.8. The actual result, with calculation refinements, was 81.9.
18. The 17.8 day timeliness statistic represents 77.8 percent of injured workers who receive payments directly from WorkSafeBC (timeliness of 22.9 days) and 22.2 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).
19. Changes to accounting standards may affect this measure in the future (see the IFRS discussion on page 13).
20. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005.

21. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in CPI (CPI growth), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth minus 1.0 percent with a maximum of 4.0 percent and a minimum of zero. The inflation adjustment applied to benefit rates for 2008 was 1.6 percent (2.6 percent minus 1.0 percent).
22. This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate because it reflects the actual, rather than projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan and the reduction of the pre-2000 surpluses and interest credited to employers. This aggregate premium rate can be viewed as a collection rate: it reflects the actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.
23. Since WorkSafeBC's premiums are collected in arrears, the actual funds collected and the corresponding payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2007 and previous years reflects the final collected rate. The rate shown for 2008 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives. For more information, see the 2008 annual report supplementary information at WorkSafeBC.com.
24. WorkSafeBC's administration costs for key objective/performance indicator #10 are defined by the Association of Workers' Compensation Boards of Canada (AWCBC). In accordance with AWCBC's calculation method, WorkSafeBC does not include administration costs associated with prevention, treasury/investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisors, sessional physicians, external medical service providers, and costs related to employers who are self-insured. Among these items, the highest cost comes with prevention initiatives, which, in 2008, was $0.11 per $100 of assessable payroll.
25. The Lessons Learned initiative focuses on prevention: identifying — and thereby diminishing — the contributing factors associated with serious workplace incidents to stop them from happening again.
26. Self-insured employers are sometimes referred to as deposit account employers. These employers do not pay premiums based on assessable payroll; rather they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers, plus a share of the administration costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial government, federal government, Air Canada, and certain railway companies.
27. Total claim costs and the actuarial changes in benefit liabilities have both been on a downward trend from 2001 to 2007. Although these costs have not decreased every consecutive year in this time period, the trend, overall, has been downward for total claim costs: from $1,649 million in 2001 to $1,153 million in 2007; and for changes in benefit liabilities: from $562 million in 2001 to ($13) million in 2007.
28. WorkSafeBC's portfolio investments have all been designated as available-for-sale, except for derivative financial instruments, which have been designated as held-for-trading. See Note 2(b) of the financial statements on page 70 for further information.
29. The cash position includes cash and cash equivalents, such as money market instruments and short-term bonds.
30. WorkSafeBC's investment goal is to produce a long-term average real return over and above the inflation rate (as measured by the annual increase in CPI or CPI growth), equal to the discount rate used to calculate benefit liabilities. The minimum required return (up to December 31, 2008) was based on CPI growth + 3.5 percent, prorated by the ratio of total liabilities over total assets, using beginning of the year values. After December 31, 2008, the minimum required return will be based on CPI growth + 3.0 percent.
31. The $4.5-billion pension liability includes $223 million, due to the lowering of the net discount rate.
32. The audits are performed in accordance with Section 5970 of the *Canadian Institute of Chartered Accountants' (CICA) Handbook*.
33. See www.aved.gov.bc.ca/labourmarketinfo/reports/COPS_IndustryOutlook_2006-2011.pdf and www.aved.gov.bc.ca/labourmarketinfo/reports/higherlearningenvironmentalscan08.pdf.
34. A near-miss incident is one in which no injury or damage occurs, but one that could have resulted in an injury or death, or in damages to equipment or property.

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are properly minimized and controlled. Under the B.C. *Workers Compensation Act*, the primary responsibility for workplace health and safety rests with employers, but workers, supervisors, and other stakeholders have an important role to play as well. The key to maintaining a safe and healthy workplace lies in joint action — everyone working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained.
- Keep written records of training (who, what, when).
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents.
- Immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment where required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements.
- Correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow the health and safety requirements affecting your job.
- Use all safety gear and protective clothing when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

For more information

If you have questions about workplace health and safety issues, call the WorkSafeBC Prevention Line at 604 276-3100 or toll-free within B.C. at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find a variety of occupational health and safety resources that can be downloaded free of charge. You can also purchase a number of safety publications and DVDs by visiting our online web store at www.worksafebcstore.com.

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